THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

November 6, 1948

AMERICA'S CHINA POLICY

AN EDITORIAL

Kuomintang's Last Test

Huang Hun-shek

China Trade Survey

A Report

"Half Baked" Liberalism In China

Frank Chen

TIME FOR NEW BLOOD

AN EDITORIAL

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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Why Celebrate?

To The Editor:

With Mongolia broken away for more than three years, Manchuria under the Red heel, Sinkiang in chaos, and the eve of crucial battles which may seal the fate of the whole nation about to commence in western Liaoning, the National Government has celebrated the anniversary of the Republic of China.

Never in the course of history has the nation faced such a serious crisis. The fall of Tsinan and the abandoning of Changchun has served to show us the gloomy and dark picture. No matter how the Government tries to cheer the nation a mood of despair and disillusion is to be witnessed everywhere.

Economically, in spite of the reforming of the currency, prices are going way above the frozen level. Merchants have been sabatoging and the result is that the markets are faced with a shortage of daily necessities. Moreover, confusion and unrest stalk the social structure while corruption and inefficiency continue to sweep through the realm of officialdom.

The unprecedented crisis is, of course, attributable to the revolt of the Communists. But the Kuomintang, which has dominated the country for 20 years, has to bear much of the blame. If the Government had no corrupt officials or bloodthirsty plutocracy, prices would not be soaring and the people could exist. If the political cliques didn't allow their personal interests to transcend those of the nation, the Government would have more of the people's confidence.

As for the Communists, they are out and out traitors and are backed by imperialists from the North who have plotted to nip the Chinese revolution in the bud, sapped the strength of the national army in the war with Japan and despoiled the fruits of victory. They now have plunged the whole nation into a bloody war and threaten to destroy a civilization which has met the test of over 4,000 years. They are traitors and puppets and are more treacherous than Wang Ching-wei and Pu Yi.

In the midst of such chaos and confusion what has there been to celebrate?

T. F. CHEN.

Nanking
October 13, 1948

Admires Byrnes

To The Editor:

I proudly consider the former American Secretary of State, James Byrnes' *Speaking Frankly* a handbook for diplomats and rulers of the world today and a distinct contribution to America's national solidarity and to world peace.

It does not take a prophet to see what Byrnes saw about the Central European situation regarding which he said: "Without skill, effort, patience and statesmanship, Germany and Austria will start still another world war." (viz., the Berlin crisis and Austria today). If the Truman administration could have realized what Byrnes did then, there would not have been so much ado about warmongering.

THE CHINA WEEKLY REVIEW

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(Editor & Publisher, 1918-1947)

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About China, Byrnes said this much: "Our most earnest efforts in China for the present at least have failed. It is one of the great tragedies of our times that a nation so rich in human and material resources is split by fratricidal conflict" (but just now America is behind this conflict). Byrnes agreed with John Carter Vincent, former Chief of Far Eastern Affairs in the Department of State who advocated the discontinuance of US peace efforts in China because they (The State Department) did not want to DRAIN THIS TREMENDOUS RESERVOIR OF AMERICAN GOOD WILL IN ASIA.

Byrnes concluded that what Russia is after has its explanation in Russian history—expansionism for the Slav Empire and the wish of the Russian people for peace and freedom (who doesn't want this?). Byrnes believes that mankind can build a lasting and just peace by guarding against ready optimists and reckless pessimists, and by immediately concluding treaties with Austria, Germany and Japan, by supporting the UN with force, if need be, for a system of collective security, and by controlling atomic energy not for war but for peace and happiness for the world.

My conclusions are that ignorance is the source of all iniquities and that stupidity alone is punishable by death. "Let there be light and lots of it."

CHINESE JOHN THE BAPTIST.

Chengtu
October 19, 1948

Losing Sleep

To The Editor:

I did not sleep very well until the clock struck two last night because a strong woman fought with her husband. The noise was so loud that all the members in the houses nearby were awakened. The strong woman is hated by all men living in the same house. She often speaks ill about A to B and the result is a fight, with A fighting B. Not only does she fight and quarrel often with others but she also fights with her husband. Oh, it is a bad house where the hen crows louder than the cock (牝鷄司晨). If I had such a wife, I would have her burned to death.

At present the situation in our country is like the fight yesterday in my house. The civil war not only makes the whole country unsafe but also makes the people lead a dog's life. If I were the ruler of China, I would collect all the military forces and cut the CP into pieces.

J. S. CHEN.

Yenchow, Chekiang
October 19, 1948

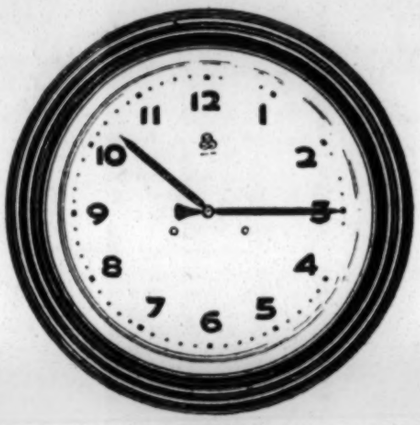
Slight Smile

To The Editor:

Once again we are celebrating the anniversary of our Republic with great fervor despite the vicissitudes in the sphere of political events.

Late yesterday evening, Double Ten Day, while passing along one of the town's busiest streets, the dazzling lights of the gate of a military office caught my eye. Many people were crowded about this gate. I glanced over them and my eyes soon became fixed on a picture of an old man dressed in a military uniform. His hair has turned gray, his forehead, with traces of slight furrows, seems to be deep in thought. His eyes were very keen but full of anxiety. A slight smile seems to be at the corners of his mouth. Of course, he is an austere and kind man of high spirits. It is our President!

As a matter of fact, he has been suffering indescribably from the eight long years of struggle with our Japanese foes



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as well as the years of continuous civil war. Now he is smiling slightly over the hope that the currency reform will work, which is to be the only and last golden hope for our country. I hope it will not fail him and make him disappointed in the years to come!

ANTHONY HO CHIAO YI.

Anking Catholic Mission
October 11, 1948

More Religion

To The Editor:

St. John's University has long been famous throughout the country for its religious tradition and for its contributions to the Christian Church, but, upon entering the University this term, I was amazed by the scarcity and weakness of its religious works.

The most regular activity is the morning Chapel Service held every weekday at recess time. About 20 students attend (there are more than 50 Christians among the Freshmen alone), and the number varies according to the weather. The fact that the service has not been changed for the past month and a half may partially account for the small number. Attendance is still less at the Sunday Services and Wednesday evening services; I was one of the four students present at the evening service two weeks ago.

The University and church authorities have sponsored some Bible study and discussion groups, both in English and Chinese, under the leadership of several faculty members. Although the groups are fine for discussion and observation, they have a dubious effect because the means used to obtain participation are limited to notices distributed at morning Chapel which are posted on the public bulletin board. The notices on the board are usually written on ordinary writing paper with colored wax pencil, like those used by a primary school pupil in his exercises. On the same board are very large posters of sporting activities such as American football, volleyball and tennis, with colored pictures. In comparison, the religious posters are mere trifles and are bound to escape attention.

It is really a pity to find so little religious activity going on in a university to which the church has contributed a lot of money and energy, and to see that that which does exist is superficial, aimless and ineffective. I wonder why the university authorities and faculty members take such an indifferent and passive attitude toward the promotion of religious works at St. John's.

DAVID S. HUANG.

Shanghai
October 24, 1948

Hongkong Swindle

To The Editor:

Sing Kee Pao (*Weekly Times*), a Hongkong leftist periodical and very popular, on October 10, reports that Koo Hsiang, former manager of the closed Tsen Ho Bank, swindled Hongkongites on a big scale and got away without any molestation. Unlike Dr. Pang Pin-cheng, Tsen Ho Bank's Managing Director, now in jail in Shanghai for cheating the government and the public, this manager is enjoying his ill-gotten wealth and is looking down on others who refused to cheat.

A few days ago a creditor of the Tsen Ho Bank wrote a letter to the editor of the *South China Morning Post* asking the authorities to take steps to liquidate the Bank. The *China Mail* sometime ago printed a letter alleging that the Tsen

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—JAMES BURGH.

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Ho Bank's former manager is now heading another Bank in the Colony.

Within 10 months of opening, the Tsen Ho Bank grabbed from the public some two million Hongkong dollars. The managing director helped himself to about a million; the manager managed to enrich himself with half a million, it was charged.

The sucker-depositors have been reluctant to protest because, among the directors of the Tsen Ho Bank, were the Kuomintang's number two and number three men. Most of them repudiated that they were ever directors after the Bank was closed.

However the bigshot directors were not involved in the big scale swindling business, like the jailed director and proud manager. So a liquidator has been appointed by the directorate to prove to the world who were the swindlers.

The closure of the Tsen Ho Bank in Hongkong last year was a disgrace not only according to banking ethics, but also to the financial administration. The Hongkong Government has enacted a new banking law subsequent to the Tsen Ho Bank scandal to prevent a similar recurrence.

The liquidator of the bank has started organizing a staff and instructing solicitors to do the job. It is not known what attitude he will adopt with regard to the rich director and manager. But there is every reason to hope the creditors will ask him to dig deep into the cause of the bank's bankruptcy.

It is also known that the bank's biggest creditors are Shanghai people. Through your kind publication of this letter it is hoped creditors in Shanghai may contact the Bank's solicitors who will go on with the liquidation.

A DEPOSITOR.

Hongkong
October 12, 1948

Shensi Reds

To The Editor:

Within an oblong strip of land whose total area is less than 300 square li, but whose agricultural products are abundant, the Communists are using Huang Lung Shan as their base to extend their influence in all directions throughout Shensi. In fact, they have become a great menace to the security of the whole province. How to drive them out has been a problem for years.

The sole purpose of General Hu Tsung-nan has been to attain this objective. With this in mind, the provincial government has been reorganized several times. In Manchu days, successful candidates of the Imperial Examinations were forbidden to be officials in their own province. Now there is a national tendency demanding natives to govern their home towns. Many a province has fallen into line, and Shensi is no exception. Although General Hu hails from Chekiang, to cope with the wishes of the Shensi people the personnel of the provincial government has been reshuffled and many chief posts are held by natives of the province.

From a geographical point of view, Shensi is affected greatly by Communist activities in Shansi and Honan, for along the Yellow River, which forms a natural boundary dividing these three provinces, there are no less than 50 ferries the Reds can use to attack their objectives whenever and wherever they like. This accounts for why the Lung-Hai Railway has suffered so much damage, for it runs, for the most part, almost parallel to the Yellow River. Time and again this line has been wrecked by the Communists and travel on the eastern section between Chengchow and Hsuchow remains paralyzed much of the time.

Under present conditions, no constructive work can be done by the newly organized Shensi provincial government because it must devote itself entirely to the task of helping the Central Government prosecute total war against the Communists. The chief objects of the Government are to exterminate the Reds, maintain the status quo, protect the triangular region between eastern Shensi, western Honan and southern Shansi, and finally, to prevent the Communists from penetrating into Szechuen by crossing the Ch'in mountain.

How successfully these aims can be accomplished is anybody's guess. However, as long as the Reds, who are said to be over 200,000 strong and under the command of Peng Teh-huai, remain in Shensi there is grave danger not only to the safety of the province but also to the entire bandit-suppression campaign throughout the country.

HSIEN CHING-AN.

Shanghai
October 20, 1948

Kaifeng Retreat

To The Editor:

As can be easily understood, the fall of Tsinan has brought about much gloom among the population of Kaifeng and Chengchow because of the pressure now expected on Hsuchow.

The first sign of general movement was the withdrawal of officers' families south of the Yangtze early in October. Railwagons and other communication and military equipment followed. People are again saying, "What can we do?" "Where to go?" Many public servants, soldiers and merchants have already left, joining those retreating from Chengchow—now already evacuated. Day and night, people swarm into the station waiting for

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the east-bound train and fighting for places on it.

When Governor Chang Chen was asked whether the 40,000 students would follow the Government to the south, he tapped his head and said that he had not thought of them before. It has been reported that the latest decision is to leave the students.

As for the ordinary people, they are for the most part indifferent. To them, moving means destitution and privation. They could live on here whereas if they move, death may befall them. Backed by their experience when the Reds took Kaifeng in June and by the Communist handbills found in back streets a few days ago, they no longer regard the Reds as bandits or slaughterers.

Yet commotion is seen everywhere. Vehicles are rushing to the station; many people are selling their clothes and furniture in the street. The confusion is without doubt caused by the city government itself.

It is sad to foresee that the Communists will probably take Kaifeng and Chengchow when no army is around to protect the cities. While it is still early to venture an opinion as to whether or not the guerrilla strategy adopted by the Government will work, it is certain that it has already created a bad impression and distrust among the nervous Honanese towards the Government.

DUNCAN LEE.

Kaifeng, Honan
October 15, 1948

Rice Riots

To The Editor:

Since the introduction of currency reform and restrictive buying, there has been a mess in the market; riots often occur in rice shops in Yenchow where it has been decreed that every man in the city is allowed to buy five catties of rice every day. What actually happens is that the strong get their rice while the weak are often pushed back and cannot buy a grain of rice. Were there riots before the currency reform? Have prices stayed the same as those of August 19? Before currency reform every shop had enough goods but now we have no money to buy goods. In this city, every shop is empty. Because of the controlled price policy some dealers are smuggling their goods to the black markets. Goods are not allowed to come here from Shanghai.

I fully agree that currency reform for China is desirable but I do not agree with the method used in controlling prices. Compulsion alone will not keep prices down. There is a Chinese proverb which says, "The more we tie an animal fast, the harder it will struggle."

Here is a brief account of what happened in the city of Yenchow which all the people in China, especially the Central Government officials, should know about. A small official of the tax bureau, a Hangchow man, was told to investigate the goods of every shop in the city. Yesterday I am told a cloth-dealer was put into prison because he did not use enough flattery toward the official and did not put much money in his pocket. How shameful this situation is. I think currency reform is only an opportunity for some officials to take more money from the people.

Certainly in our country, merchants have an important part to play. Political and military expenses are largely met by loans and taxes which are largely furnished by them. Merchants have played a great part in the patriotic movement, especially Overseas Chinese merchants. Therefore, the Government must not punish good merchants as well as bad ones; rather it should give rewards to the dealers who abide by the law. Profiteers should be put into prison and even executed if necessary.

T. S. C.

Yenchow, Chekiang
October 21, 1948

Reliable Reports

To The Editor:

I have read many articles and letters from the people which appear from time to time in the *Review* relating to general conditions in Red China. Still I am puzzled about the actual conditions existing in the whole liberated area. There are too many propagandists at work with the result that we can hardly tell which report is accurate.

Have some of your worthy readers described actual conditions now existing in Tsinan? Are merchants and industrialists still running their enterprises as usual? Have they been deprived of liberty? Has their property been confiscated?

There have been many stories circulating about how formerly well-to-do merchants in the fallen city are now beggars, and that houses and factories have been taken over or confiscated. What is the administration like? Who now occupies the former palatial houses in this city? Are merchants and industrialists allowed to retain their personal property untouched when a city becomes a liberated area? Let us have some reliable reports on what actually happens in these areas.

L. Y. Y.

Shanghai
October 25, 1948

Social Movement

To The Editor:

The situation in China today is more critical than that of prewar times. Is there any hope for political reform? When will the economic crisis be solved? These are the most urgent problems which now and then worry the masses, especially the intellectuals, who are deeply concerned and annoyed beyond measure by the foregoing complicated questions.

I am of the opinion that China is quite promising and that a bright future lies ahead for her. This depends mainly on whether we, as Chinese citizens, are really awakened, repentant and determined to work painstakingly. It seems to me that the salvation of China lies in the initiation of a non-partisan movement. For the sake of terminating the pacification work, various terminating the pacification work, various parties, cliques, and all non-partisan social leaders must be united at once. To transform the numerous small cliques into a large nationwide group will give rise to some good results, and consequently not only will the conflict and the disputes between parties be avoided, but also an enormous new force will grow up. With the new force, which can only be developed gradually by virtue of a non-partisan social movement, we are in a position to fight the Reds—our common foe.

G. Y. HSU.

Nanking,
October 15, 1948

Education Scandal

To The Editor:

Nominal democracy as well as the so-called Constitution, materialized some time ago. Nevertheless, the people do not find it any less difficult to make a living because of the consummation of these "developments." On the contrary, they are finding it more and more difficult to do so. It is generally felt that the so-called materialization has not only brought about a critical situation but it has also brought more hardship to the people. Such a deplorable situation is the result of political corruption and the tyrannical intrigues which have become all the more terrible since the introduction of the alleged democracy. Even institutions in the educational field appear to be in turmoil.

A glance at the open letter to Ding Wen Yen, President of National Tung Chi University, from one group of the professors, published on July 31 in several vernacular papers, reveals the aforementioned fact. Ding is charged on several counts, including permanent absence from office during the student strike, forgery of staff seals in counterfeiting votes in the election for peoples' delegates, corruption in giving out contracts for construction work, dismissal of top-flight professors without cause to make room for bootlickers, and the fabrication of rumors and libelous stories about bona fide professors of long standing.

Since the appearance of this sensational letter in the newspapers, Ding has maintained a stubborn reticence on the matter although the public is waiting to hear what he has to say. It is said that Ding simply rushed to the hospital when he heard that the scandal had broken. Though he did make a few remarks in a hospital interview with correspondents a few days after the story has been published, he omitted any sort of direct reply to the charges of the professors except to say that dismissal of certain professors had been due to their taking other jobs besides their teaching jobs. Evading replies on such serious accusations causes the public to wonder. Though he should be dealt with by the authorities, providing there is any grounds for suspicion, as far as I know, he is still free. It is strange that there has been no public investigation. With such conditions in the field of education, it is absurd to talk about democracy and the Constitution as though they were even possibilities.

E. H.

Tung Chi University, Shanghai
October 10, 1948

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Vol. III Shanghai, Saturday, November 6, 1948 No. 10

America's China Policy

WHILE it is always difficult to attempt to define US foreign policy, especially that part of it relating to China, we think that there have been a few straws in the wind of late which make a little speculation at this time not altogether inappropriate.

In the past we have said that we thought those sections of the Central Government which counted on vastly increased American assistance if Governor Dewey moved into the White House were engaging in wishful thinking. We said this despite the numerous campaign statements of Dewey to the effect that he favored more aid to China.

Last week we published an article by Lawrence K. Rosinger analyzing the respective China policies of the Democrats and the Republicans. Mr. Rosinger pointed out that there was a "narrowing" of the gap between the policies of the two parties. While the Republicans originally pressed for large-scale aid to Nanking, the Democrats felt that there should be little or no aid. Under Republican pressure, the Democratic administration gradually gave ground until it finally introduced an aid bill. However, by this time the Republicans had cooled off a bit, and were not so anxious for extensive aid. The final legislation which set up the ECA program seemed about as much a product of the Republicans as of the Democrats. In short, the present China policies of both parties are not greatly different.

It has been our view all along that the Chinese Government has put too much stock in the declarations made by Mr. Dewey during his campaign speeches. A review of them, contrasted with some of his later utterances, we believe will be instructive. In his first press conference following his nomination as Republican candidate last June, Dewey charged the Truman Administration with niggardliness in financial aid and recommended full scale economic, military, and other aid to Nanking. In earlier speeches, on November 5 and 20 of last year, Dewey criticized Truman's China policy. At that time Dewey proposed an aid plan calling for an annual expenditure of US$250,000,000 for three or four years, considerably less than the Truman Administration finally proposed. Later, Dewey said that he was satisfied with the Administration's aid program as submitted to Congress.

An interesting example of the cooling off of the Republicans toward the idea of China aid is given by Mr. Rosinger when he cites several remarks by Senator Vandenberg who originally launched the Republican criticism of the Democrat's China Policy. On January 11, 1947, Senator Vandenberg expressed optimism over the reform plans of the Central Government and suggested that the US might shift the emphasis of its policy. On March 30, 1948, Vandenberg praised Generalissimo Chiang and urged aid, but at the same time expressed doubts about the China situation and cautioned against too deep American involvement.

After surveying all the evidence, Rosinger states: "Thus it seems reasonable to conclude that during the Eightieth Congress the Republicans and the Truman Administration finally achieved, in practice, a very considerable degree of agreement on China policy. Here it is worth noting that differences in approach between the Administration and its Republican critics also diminished somewhat. Senator Vandenberg's outlook is one example of this. Another is to be found in President Truman's declaration on March 11, 1948, that the United States did not now advocate the inclusion of the Chinese Communists in the Chinese government and never had. As a formal repudiation of the concept underlying the Marshall Mission, the statement had considerable symbolic significance."

Of course it is difficult to estimate right now what the China policy of the United States will be during the years of the new Democratic administration just elected. Many things, such as developments in China and the rest of the world, will influence it. However, the history of the present ECA program may give some clue to US Congressional thinking. The pressure for more aid applied by the Republicans resulted in an eventual capitulation by the Truman Administration which recommended a program calling for more than US$500,000,000. Congressional opposition, led by Republican members, resulted in a somewhat reduced program. In the final analysis, as Rosinger points out, the views of Democrats and Republicans did not differ greatly, although the Democratic Administration desired *more* aid than the Republican-controlled congress enacted.

With this background in mind, it does seem that some quarters in Nanking have attached undue importance to this week's elections in America. Even if the Republicans had won the elections, it hardly seems possible that they would have inaugurated a China policy vastly different from the present one.

* * *

WHILE our speculation has so far been based on developments in America, we must not overlook recent events in this country, where

many things have happened lately which may have a far greater bearing on America's China policy than anything likely to occur in the United States or Europe. Since September, Communist military successes have been considerable. Important cities have fallen to the Reds and large numbers of Nationalist troops have been captured. Important areas—some of which have figured in ECA plans for aiding China—have been menaced or overrun. ECA, which made extensive plans for North China, may not be able to implement aid programs for regions in this area which only a month or two ago seemed to hold great promise. Mukden, where ECA had planned for industrial aid, may be a good example. Of course, there are two ways of looking at this. One is that if more territory is overrun by the Reds, ECA may find it difficult to fulfill its plans, while the other is that ECA will be able to concentrate its aid more effectively in a relatively smaller area.

Another interesting development of the past few weeks is the evolution of a policy regarding American armed force personnel in China. It is an open secret that some Chinese quarters in Nanking have privately admitted that they hoped America might become more involved in China if and when Americans ran up against advancing Chinese Communists. Some Nanking circles have been counting on the US Navy to defend Tsingtao if the Reds attacked. Naturally, while we are dealing almost in the realm of pure speculation when discussing such matters as what policy the American Government has outlined to its forces here, the fact that American military personnel's dependents have been evacuated from Peiping does seem an indication of an American desire to avoid contact with the Reds. This also may be seen in the fact that vacation trips for servicemen to Peiping have been suspended.

Another slight "straw" is the growing talk of evacuation among all classes of foreigners. Today one does not hear statements about how troops will be landed to protect American lives and investments. Rather, among the general civilian community, one hears talk of sending families to Hongkong or back to America. While such talk is certainly no true reflection of what is going on in official minds in Washington, it does indicate a change in the views of Americans living in China, which, we think, is conditioned to some extent by a shift in the overall American outlook in recent years.

Another interesting development has taken place in missionary thinking. Even some Catholics today talk of remaining in areas threatened by the Reds, while a year ago all you had to do to bring forth comments which should never pass the lips of a cleric was to ask a Catholic priest how he liked the Reds. While it is quite true that there are many Christians, both Catholic and Protestant, who are unalterably opposed to Communism and all it stands for, the fact that quite a few members of both groups are now even *discussing* the question of working in Communist-controlled areas indicates a partial change in attitude of a very important group of foreigners.

Of course, all such speculation may be wasted since it is possible that the Generalissimo may finally lead his forces to triumph over the Communists. However, recent military events have made pessimists out of many pro-Kuomintang people, both Chinese and foreigners. The alarming spread of the Red armies in Manchuria and North China, plus a threat toward the Northwest and a still uncrushed Communist army in Central China, have made it imperative for many foreigners living in threatened areas to do some thinking about their future plans.

One more small indication of American official feeling about China was contained in a *Shanghai Evening Post and Mercury* account of a press conference given by Harlan Cleveland, special ECA representative from Washington, last week. "In answer to a query that should the present Government collapse, would it ultimately mean the collapse of the ECA program, Mr. Cleveland said that the 'question is not specific enough to give a "*yes*" or "*no*" answer.' He pointed out that the bilateral agreement signed between the United States and China would still exist should a 'successor government be formed' and gain the recognition of the United States."

Cleveland said, in effect, that the ECA program would come to an end if Nanking collapsed. However, he answered the question quite accurately, in a technical sense, by pointing out that the agreement was between the United States and China and that any Chinese Government recognized by the American Government would be entitled to receive the American aid designed for China. We can only presume that the US would not be in any hurry to recognize a Communist regime in China. However, the mere fact that Mr. Cleveland gave a careful, technically correct answer to the question would,

REPUBLICAN CONGRESS' FAULT ?

—Gray in Chicago Sun-Times

'THERE'S A LONG, LONG TRAIL AWINDING'

This cartoon is a terse comment on the inflation now prevalent in the United States. Prices are so high today that the American people actually are unable to benefit from the increase in their earning power.

in our view, indicate that there has been some thinking about this matter in US official circles. Otherwise, it would have been in keeping with the Truman Doctrine, the war of nerves in Berlin, etc., for the answer to have been an emphatic "No!"

Our personal view, which may just as well be wrong as not, is that the US will continue to aid the Nationalist Government in about the same manner as at present. However, if it develops that such aid is not sufficient to enable the Kuomintang to keep itself in power, the United States will not be likely to underwrite this regime, taking full responsibility for its preservation. Certainly, the US will not increase aid to the extent of active American participation in China's Civil War.

Legal Confusion?

WE have noted with considerable interest and perplexity the intriguing fact that a few of the so-called "big shots" arrested in recent weeks for alleged involvement in commercial or financial activities said to be against the "emergency" regulations are also being accused of collaboration with the Japanese.

The most recent important suspect to appear before the Special Criminal Tribunal on dual charges was Wan Mu-ling, chairman of the Board of Directors of the Rice Dealers' Guild, who was questioned on charges of enemy collaboration and hoarding daily commodities. We are not prepared to discuss the handling of this case since we have learned from experience just how thin skinned some of the local judicial lights may be upon occasion. However, we think we can safely discuss a few matters such as the make up of courts, etc. without treading on the toes of Shanghai's legal dignitaries.

While there is considerable difference of opinion about the actual legality of the Special Criminal Tribunal itself, with numerous articles on this subject having already appeared in Chinese newspapers and magazines, we shall pass over this angle. The fact remains that the special tribunal does exist and apparently has the authority and power to function as an extraordinary court for hearing cases against individuals charged with violation of the Emergency Economic decrees promulgated by Nanking on August 19. Whether or not the Tribunal is also empowered by Nanking to hear cases involving charges of enemy collaboration, we do not know. However, this seems to us a delicate point, especially since these collaboration trials theoretically were finished shortly after the National Government's return to the coastal areas following VJ Day. Further, there has been an amnesty of sorts, the extent of which has never been fully clarified.

We have little doubt but what Nanking's legal pundits can supply all the necessary answers if called upon, pointing out innumerable phrases, clauses and other things which, if interpreted in the proper way, will make whatever the Government wishes to do appear quite legal and proper. However, it seems to us that there is a moral question involved and that the Government should consider this, unless it no longer cares for public opinion.

The Government set up quite proper machinery for trying major puppets immediately after VJ Day and the public witnessed—with considerable pleasure—the trial and conviction of a number of notorious puppets. Several smaller fry were also dealt with. After this initial activity, little more was heard of collaboration except for occasional cases which were turned up later. Finally, there were many expressions of opinion in Nanking and elsewhere that since most of the major offenders had been dealt with, it was time to call the whole thing off. In fact, there has been an amnesty under which many people convicted of crimes against society have been released or at least given reduced sentences, including, we understand, some puppets.

Now we once again are in the midst of arresting and trying a fairly large number of people suspected of violating a new set of "emergency" measures. While one with a legal turn of mind might argue against the whole "emergency" system of government, the fact remains that now, upon occasion, the charges of violation of the emergency laws are "strengthened" by the addition of charges of puppetry or simple collaboration.

According to the emergency regulations, all this—and more, too—is possible. However, we think the public is getting both confused and tired and that the Government should make an effort to bring some order into the chaos.

We have regular courts, we have a Special Criminal Tribunal and we have a variety of different military courts, some of which can even try civilians, it seems. We also find, upon occasion, that people are being charged with crimes allegedly committed months or years ago but are being sentenced today, when emotions are high and new legal standards have been introduced. For example, if Mr. Chen made an illegal US dollar transaction on the blackmarket on July 15 of this year and this is discovered today, he will go before the Special Criminal Tribunal which has the power to sentence him to death. He has no right of appeal. Suppose, though, that Mr. Chen's brother also engaged in a similar transaction on the same date, but was caught at that time. He went before a different court which did not have the power to inflict more than a few years jail term. What's more, he had and still has the right of appeal.

All of this may be perfectly legal, and we are sure it probably is, but it hardly seems fair. We think that the whole question of courts, tribunals, emergencies, etc., needs to be re-examined by the proper authorities in Nanking. We think that the public would appreciate it greatly if the present system of courts and laws were simplified and, once and for all, stated clearly so that people may have a reasonably good idea of where they stand vis a vis the law.

Time For New Blood

THIS week the Nationalist Government faced one of its most severe tests as the military, economic and political fronts showed signs of cracking wide open. The gravity of the crisis was underlined by Generalissimo Chiang when he reportedly told a group of high ranking officials in Nanking that the situation was the "gravest" since the dark days of the Sino-Jap War and declared that the Civil War "will be decided within the next three months."

If there ever were a time when this regime had its back up against the wall, this is it. According to one press agency dispatch from Nanking, the Government has lost 400,000 of its best troops since September 23, the day Tsinan fell. Tragically, the loss of these troops and the loss of a half dozen supposedly well defended cities has not resulted from raging battles in which superior Red forces overwhelmed the Nationalists, but rather as a result of defection of the defending troops and commanders, sometimes even before battle was begun.

Presumably, the Generalissimo, who always manages to rally his supporters when things look blackest, will be able to stabilize conditions to some extent. However, there is considerable pessimism on this score, too. Certainly, if a rally is to come it must come fast.

Economically, conditions could hardly be more critical. Premier Wong Wen-hao has tendered his resignation, admitting failure of his Emergency Economic Regulations, designed to bolster the new currency which seems to be on the skids after a life of only two and a half months.

However, we are not among those who are packing their bags and reserving ship or plane tickets to Canton, Taipeh or Hongkong. We doubt if it is that bad yet. We have the Generalissimo's word for it that the next three months will be crucial, while the Communists, according to reports quoting their broadcasts, talk in terms of a year.

Theoretically, the situation could still be saved. The reason why things are in their present fix is largely because Nanking has been unwilling or unable to take sufficiently drastic measures in the past. If strong medicine is not used now, then there is no hope.

The cabinet reportedly wishes to resign. If this be the case, an excellent opportunity is presented for appointing new men. While we have nothing ill to say of Premier Wong, he is only one man. This time an entirely new cabinet is needed, a cabinet of young men with new ideas and new determination. Such a cabinet presumably would also have the advantage of being composed of men who would not be continually faced with the dilemma of whether to serve personal or national interests first. A mere shifting of portfolios among the existing cabinet members will offer no solution. On the military side, too, change is needed. Frankly speaking, some of the generals now holding important posts are known only for their long, unbroken string of military defeats, first at the hands of the Japanese and now at the hands of the Reds. When a general loses one engagement after another, the obvious thing to do is to get a new general.

It is time for new blood throughout the whole Government. The old guard have proved themselves incapable of handling the situation.

25 Years Ago
In The Weekly Review

Before Judd

November 3, 1923.

Owing largely to the fortunes of war, America has more or less suddenly been forced into a position of vital importance in world affairs. And this reference to world affairs includes the Orient, naturally. Because of the general lack of educational background, the American people first, and the government at Washington next, are unprepared for the responsibility. Therefore, as stated before, the making of American policy toward China depends largely upon the information which the American residents in China supply to their connections at home. Under the American form of government it is next to impossible for Washington to take any definite and continuing action in reference to foreign questions unless such action has the support of public opinion.

* * *

Opportunity

Japan being a close neighbor to China, the economic relations between the two countries are inseparable. If Japan should lose her economic position, China will suffer from the loss of a strong neighbor; and if China should remain in the medieval economic stage, her backwardness will endanger the safety of the whole world.....The present is a great opportunity for China to rise in economic influence in the Orient and to gain the proper position that she ought to hold in the world politically and economically, but this great task can never be done without the loyal support of our businessmen. The impotency of our government, the military usurpation of political power, the impudence of parliamentarians, will not be sufficient excuse for our businessmen to shun their responsibility at this moment. This is the time for them to serve their country with their accumulated wealth. It is not a sacrifice that they are requested to offer, but an opportunity that they ought to seize both for their own and their country's benefit.

10 Years Ago In
The China Weekly Review

Hongkong Stockpile

November 5, 1938.

With both the Hongkong-Canton Railway and the sea route to Canton closed, an attempt will be made to divert the trade from Hongkong to China over the Portuguese port of Macao, London business circles said this week. In this way, it was stated, stocks of export commodities now accumulated in Hongkong will be brought to their destination in China. Certain firms, it is said, have also returned goods to the senders and have arranged for their conveyance via French Indo-China.

* * *

Shy

All quarters in Moscow are now closely watching the development of the international situation, paying particular attention to the new trend of French foreign policy. The prevalent opinion is that the Munich Agreement marked the end of that period when the Soviets made the first overtures to the Western Democracies in efforts to attain international cooperation. Henceforth, Soviet observers asserted, the USSR must await others to come and see her.

"Half Baked" Liberalism In China

Frank Chen

EVER since General George Marshall mentioned Chinese liberals in his parting message, many Chinese professors, politicians, journalists, etc., have either considered themselves as "liberals" or have been so considered by the public both at home and abroad. However, as one foreign professor has found out, "a dogmatic pattern" exists in Chinese liberalism (see "Liberal Professors and America," *China Weekly Review*, June 26, 1948), and one cannot escape the conclusion that there is definitely some flaw in Chinese "liberals" or "liberalism."

By historical tradition, Chinese intellectuals are no liberals. Their narrow-mindedness dates back to Confucius himself, who once considered the study of "strange doctrines"—doctrines other than his own —as "injurious" (*Confucian Analects*, Book II, Chapter 16). Mencius, the most eminent disciple of orthodox Confucianism, regarded the principles of Yang Choo (楊朱) and Min Teih (墨翟) as "perverse speakings" (邪說) or "licentious expressions" (淫辭) (See *The Works of Mencius*, Book III, part II, Chapter 9). Thus, bigotry and intolerance have been nurtured for centuries in the Confucian school and have become inherent qualities of Chinese intellectuals. These qualities are contradictions of liberalism.

Prejudices Of Scholars

The Chinese saying that "the literary people despise each other" (文人相輕) indicates the prejudices and narrow-mindedness of Chinese scholars. Indeed, it would be very unusual for one Chinese scholar to admit his errors and accept the just criticism of another. As a rule, he is enraged whenever his errors are pointed out by somebody else.

It is also a general rule that a Chinese scholar or professional man is reluctant, or even refuses, to give credit for contributions made by another person engaged in the same subject of study or in the same line of business. The Chinese proverb that "people of the same trade are jealous of each other" (同行相嫉妬) illustrates this point. It is a known fact that the various schools of personal ethics during the Sung dynasty and those of classical studies during the Ching dynasty were hardly tolerant of one another. In short, there has rarely been any real liberalism among intellectuals throughout Chinese history.

Politically, therefore, it is no wonder that during the first 16 years of the Chinese Republic there existed various military and feudalistic regimes which tolerated no opposition until overthrown by force, and that since 1927 China has been, and still is, ruled by a single political party which likewise allows no opposition. Even under the present "constitutional" government, it is only one party which rules while the two minority parties merely serve as its appendages.

Tradition Of Bigotry

The present-day Chinese intellectuals have, in the main, not deviated from their historical tradition of bigotry and intolerance. Let us first take up the case of Government officials who are supposed to be the guardians of law. Whenever new regulations were proclaimed by the Government, which provided severe punishment for offenders, it was usually the "small flies" who were made the scapegoats, while the bigwigs who were the real offenders escaped notice. There is no justice, even in the courts of law, since some people are always above the law. Evidently all officials, including judges, are biased and a biased person is not liberal.

With regard to those intellectuals who are not in Government service, such as writers, professors, journalists, politicians, etc., their illiberal attitude is no different from that of the officials. Only when they join issue with the illiberal or wrong policies of the Government do they appear to be "liberals."

This is also true of those participants in the PPC who, not being KMT or CP members, wish to see an amicable settlement reached between the two, and with that group outside of the PPC who were in favor of a coalition government during the PPC days. General George Marshall conferred upon the people of these two categories the impressive title of "liberal." Yet these very people do not lack such qualities as bigotry and intolerance, which will be more pronounced when they are compelled to defend themselves against challenges of their opinion by others.

Now let us give a few concrete examples to illustrate this point. *Ta Kung Pao* has been known as a "liberal" paper, but its editorials often follow a "dogmatic pattern," to use the anonymous foreign professor's phrase. As its dogmatic attitude in regard to certain problems such as the American policy in Japan, the collaboration issue in China, etc., was pointed out some time ago in an editorial of the *Shanghai Evening Post* and later in a letter from a Chinese reader in the latter's "Readers' Forum," we need not go into details here. Suffice to say, a famous "liberal" paper turns out to be very illiberal upon certain occasions.

Second, the *Observer*, a Chinese weekly, is also known as a "liberal" periodical. I have been told the following story concerning this weekly: In its issue of April 3, 1948, there was an article entitled "Explaining Liberal, Liberalism" contributed by Mr. Chen Shun-shan, in which the ideas on liberalism of a certain Professor, Chang Tung-sun, were criticized. Two weeks later, the magazine published a letter by Professor Chang, defending himself against Mr. Chen's attack. On April 27 the latter wrote a letter to the Observer, politely explaining his position in view of Professor Chang's counter-arguments. However, this letter has never been published in the *Observer* for the simple reason that Mr. Chen is not a friend of its editor, while Professor Chang is. This is definitely a manifestation of prejudice by the "liberal" weekly.

Liberal Spirit

In contrast with this incident, the *China Weekly Review* showed a good liberal spirit when it published on June 26, 1948, a letter on "Mr. Gould's Editorial" by "a small Chinese official." No Chinese weekly would have the courage or generosity to publish the letter of a Chinese, not to mention a person of different nationality, criticizing an editor of a Chinese daily paper unless the paper in question had already been ostracized by the public.

Third, while he could not refute the definitions quoted by Mr. Chen Sun-shan of the words "liberal" and "liberalism" from the *Standard Dictionary* and the *Concise Oxford Dictionary*, the above-mentioned Professor Chang Tung-sun of Yenching University, a former member of the defunct Democratic League, who has always considered himself a liberal, made the following astonishing statement in his letter of April 17 to the *Observer* ". . . it is not necessary to refer to a dictionary; sometimes common sense does not seem to be inferior to any dictionary." To paraphrase it; "You have quoted dictionaries, but I can explain these words by common sense which is just as good as a dictionary." Is this statement compatable with the tolerant attitude which should be taken by any professor, liberal or conservative?

Fourth, many "liberal" writers and professors have followed certain dogmatic Marxian postulates in terms of which they have tried to interpret economic and political problems. Just read, for example, Professor Wu En-yu's new book, *The Essentials of Historical Materialism*, in which he outstrips even Marx and Lenin by insisting that there will be a government after the withering-away of the state (see pp. 25-26). Consider also Professor Huang Feng's two articles in the *Observer* of April 10 and September 25 of this year, both of which, based on the Marxian theory of labor value, furnish good examples of the dogmatism of Chinese "liberals."

Even Professor Chang Tung-sun, who seems to be more on the middle road, likes to court communism, for he says in

his new book, *Democracy and Socialism:* "We still cannot admit that there is no freedom of speech in the Soviet Union." (p. 68). Apparently, these writers have not yet gotten rid of the Confucian tradition of bigotry in spite of the fact that they have replaced the Confucian precepts of "benevolence" and "righteousness" by the Marxian concepts of "exploitation" and "surplus value."

Negate Liberalism

Last, but not least, Chinese politicians have frequently demonstrated their intolerance to the last degree whenever they wanted to defeat a political enemy in their struggle for power or position. To prove this point, the last general election in various districts furnishes many amazing instances and also the Vice-Presidential campaign in the National Assembly. Just think of the smashing up of the office of *The National Salvation Daily News* by a group of National Assembly delegates!

This and other incidents which occurred during the Vice-Presidential campaign and the general election are, of course, the total negation of liberalism. Even Dr. Carson Chang, head of the Democratic Socialist Party, who might possibly have been included among the "liberals" mentioned in General Marshall's message, was not broad-minded enough to tolerate an opposition group within his own party, thus causing it to split into two parties.

What has been said above is, I think, sufficient to warrant the conclusion that Chinese intellectuals, including Government officials, journalists, writers, professors, politicians, etc., are no liberals. Even those writers, professors and journalists known generally as "liberals" are, at best, "half-baked" liberals. For, as was pointed out by the anonymous foreign professor, "They, like lawyers, are interested in truth only as it conforms to their theses, or helps 'prove' their case and (they) recognize only responsibility to a truth higher than or more comprehensive than their own dogmatisms." I have already traced the lack of liberal qualities on the part of Chinese intellectuals to the Confucian tradition of bigotry and intolerance. Now two additional reasons for this "half-baked" liberalism should be mentioned.

First, an element of opportunism inclines a group of intellectuals to follow the Marxian line of reasoning. If one closely follows the trend of the military and political situation in China, it may be inferred that to adopt the Marxian pattern is, in their mind, perhaps to gamble on the winning side of the game and will certainly ensure popular applause, especially from students.

Second, a propensity to follow the line of least resistance is also an important factor in this instance, for interpretation of economic and political problems in terms of the Marxian pattern is much easier and simpler than it is in terms of some other theories or by the objective method of dispassionate analysis. For example, very few Chinese economists have tried to fully grasp Mr. J. M. Keynes' theory of full employment or to make statistical investigations into various Chinese economic problems.

Thus, opportunism, the propensity to follow the line of least resistance, plus the Confucian tradition of bigotry and intolerance, have brought about "half-baked" liberalism in China today. It is of utmost importance that our Chinese intellectuals rid themselves of these mental shackles in order that they may cultivate truly liberal minds.

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KUOMINTANG'S LAST TEST

Huang Hun-shek

(Mr. Huang is a secretary in the Overseas Department of the Democratic Socialist Party of China)

TO believe still, or pretend to believe, that the enforcement of the Communist suppression campaign is a panacea for the ailments of strife-torn China today is utterly incomprehensible. Three years of civil war have gone hand in glove with the Kuomintang's tantalizing efforts to save this country through its "drop-by-drop" reform policy.

Virtually all the bravado about quelling the Communists militarily has by now fizzled out during this period of increasing frustration to those at the helm. By now the pseudo-optimistic drivel used to harangus the people is seen in its true light, simply empty puffs of smoke and propaganda. Instead, everything in the country has gone to seed rather than into deed. And a reversal of great proportion appears to be sweeping over the country.

Change Of Heart Needed

Such being the case, it appears as if some change of heart on the part of many officials may be in order. One cannot be as empty-headed as to count on a continuous funneling of US funds to China or of precipitating a Third World War as a means of salvation. Speaking bluntly, to harbor thoughts of such practices, which are bound to be unsuccessful, is tantamount to pauperizing the Chinese people and bringing about world complications which would seriously endanger peace.

If we look at the present dark picture we are forced to ponder over the subject of compromise, a compromise which lies buried ever since the fiasco of the PCC. According to democratic procedure, change is made with respect to signs of the times. It is foolish and selfish to claim that any government led by the Communists shall destroy the Chinese people, bringing to them catastrophe or even worse. It is just as foolish to say that such a government would expel all Americans from China. To our way of thinking, integrity is contrasted to corruption, efficiency to inefficiency, and socialism to nepotism.

To explain all this to those Americans who are profoundly concerned with the welfare of the Chinese people, one must point out to them the following facts:

First, what causes them to believe that a coalition government, though Communist in substance, would want to upset everything by antagonizing America and thus be prevented from obtaining US aid as well as reconstructing the nation peacefully? Secondly, the traditional friendship between China and America is much more deep-rooted than any similar relationship between the United States and Russia. Thirdly, the sporadic and widespread anti-American movement in China should reveal what has gone wrong in the last three tragic years.

American People

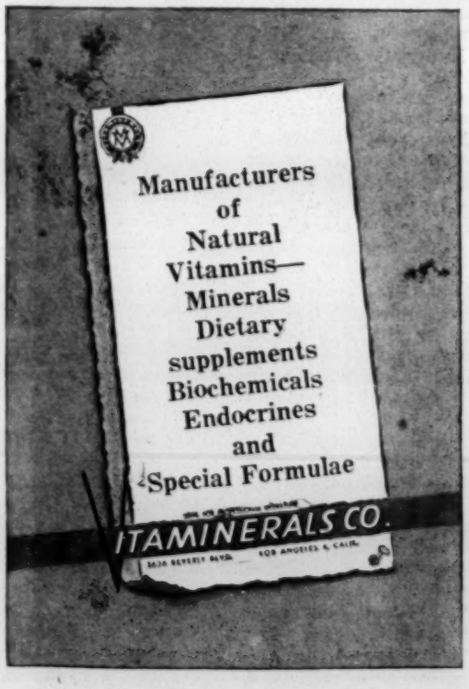
It is my conviction that if the American people are really primarily interested in the well-being of China, they will voluntarily put an end to fostering a notorious feudal system here in an effort to seek their own national security.

To say that a Communist regime will have no room for any KMT members is preposterous. Such a complex arises from the ranks of those officials, so incompetent and corrupt, who can see no chance of evading the certain fate which awaits them. The new atmosphere which is superseding the old one should be instrumental in propping up a long-drooping and gloomy China. To millions of honest Chinese, this is of great significance and is a symbol of a national resurgence. However, to the odds and ends of disgruntled Chinese it is a fatal scourge.

After careful consideration, it seems clear to this writer that most of the KMT members who have shown themselves efficient and devoted to duty should play a part in the course of national reconstruction. Now is the time for them to decide what is good and what is evil so as to join in the process of accelerating the movement to restore peace talks.

Chiang's predestined failure in evolving a socialist movement has never astonished anybody. No one can deny the truism that, as long as the "privileged" have not been cut down and the conflict between the cliques remains, these will naturally offset all other efforts.

To bring the present situation home to the people, the proper choice today is not between one ideology and another but is between good and bad government which will require something more than verbal promises. For a long time we have fought for a democracy which has not come and we have also fought for economic equality that has never been realized. Whether or not the Kuomintang can manage to adopt either a compromise or drastic political and economic reforms or both will determine its fate. If not, it faces annihilation.



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China Trade Survey

(The following survey on trade conditions here was prepared just before November 1 by several foreign businessmen and covers various activities in the field of economics which, while we may not agree with all the statements and findings, we think should be of interest to all our readers.—Editor)

IN the light of many important developments during the last few months which have basically affected the whole social and economic structure of China, it was necessary to delay this report until the situation had clarified to some degree.

In our last report we mentioned the introduction of a modified link system which was designed to stimulate exports and to create foreign exchange so necessary to the Government. This system failed since it depended upon a balance of exports and imports to maintain the demand for export exchange certificates. Because the Government did not issue import licences in a sufficient quantity to create competitive bidding for exchange certificates, the quantity of exports dropped, and the system failed.

Before the introduction of the new currency, the "official" value of the Chinese dollar had depreciated to CNC$8,276,000 to one US dollar, while blackmarket quotations were approximately CNC$11,000,000 to one US dollar. Everyone in China had become accustomed to what constituted a regular and constant inflation. The currency depreciated at an average rate very close to 35 percent monthly. This regular depreciation was so constant that it resembled the controlled inflation so well known in some European countries. While the depreciation of Chinese currency and the increase of prices was not a matter of government control, the heretofore regular trade practices of Chinese farmers, distributors and retailers had prevented the runaway inflation common to more highly integrated economies. People generally had come to recognize the steady inflation and were able to adjust their trade and living habits to a large extent to meet this situation.

During the period before the introduction of the new currency, almost everyone was able to find his own hedge against inflation. Every small laborer or vendor could put his money into small objects of silver or gold. The more well-to-do individuals had the facility of an active and relatively free blackmarket as well as the local stock exchange. The wholesale and retail merchants retained much of their profits in the form of increased inventories. These three media absorbed tremendous amounts of surplus capital and tended to stabilize to a large degree the entire national economy. Each individual was therefore protected to a degree and was able to save a portion of his income and capital.

But inflation had reached a point where it was difficult and sometimes almost impossible to pay salaries and wages. A wage earner receiving the equivalent of US$100 per month would have received about CNC$1,100,000,000 for the month of August. Salaries were taken home in laundry bags and it was not uncommon to see CNC$500 bills on the streets, with beggars standing near ignoring them. The demand for currency at the middle and the end of the month was so overwhelming that in many cases banks were unable to furnish the cash and supplied their depositors with cashier orders which circulated as bills with a small discount to the holder. Interest rates ran as high as 60 percent per month and the daily rates of interest ran from one percent to five percent depending upon the demand and need for cash.

NEW CURRENCY

On August 19, 1948, the Government announced its new currency called Gold Yuan. Theoretically, the Gold Yuan was to be backed by a certain amount of gold of a specified fineness. A three day moratorium was established to enable banks to convert their accounts. Rates were fixed as follows:

One Gold Yuan equals CNC$3,000,000.

Four Gold Yuan equals US$1.00.

Other rates of Gold Yuan were fixed at the same time against Pounds Sterling and Hongkong dollars. These rates were set on the international blackmarket rates of US$ to other currencies.

It is easy to see from the above that the conversion rate of US dollars to Gold Yuan was based on the blackmarket rate at the time of conversion. Actually the rate noted above was slightly higher than the rates prevailing on August 19.

The backing of the new currency is presumably as follows: US$200,000,000 in United States currency held by the Chinese Government, US$250,000,000 in Government-owned industries, and US$50,000,000 in other assets. Under present conditions, there is considerable doubt that the figure of US$250,000,000 representing the value of Government-owned industries is correct. The textile mills and factories owned by the China Textile Industries are known to be in rather poor condition. There has been little effective maintenance of equipment, and there has been no actual program for the introduction of modern machinery. The ships and equipment of the Government-owned China Merchants Steam Navigation Company are also questionable in value. A great part of the fleet consists of war-weary surplus US ships, which were not designed for either long term or efficient operation. While there have been many paper plans for the improvement of these enterprises, none seem as yet to have materialized, and it is evident that the value set on these assets is an arbitrary one, rather than a value derived from possible operation by private individuals.

Among the new regulations was one which made it a criminal offense to hold foreign currency or bullion in China. In addition, it was ordered that Chinese nationals holding funds abroad must turn in those assets. All old Chinese currency, including pre-war silver money, was ordered to be surrendered to the Central Government. The Gold Yuan paid out in the forced sale of gold, silver, and foreign currencies was presumably backed by the metal and currency taken in. CNC was ordered to be turned in and exchanged for Gold Yuan at CNC three million to one Gold Yuan. It was estimated that it would require Gold Yuan two hundred million to purchase all outstanding CNC.

A nine-man commission was created to supervise the new currency and its backing, and it was announced that this commission would report periodically to the public the exact financial standing of the currency. CNC was to continue to be legal tender until November 20, and all bullion and foreign currencies were ordered to be turned in before September 30. After stating that there would be no extension of this time limit, the Government extended it on October 1 for one month, with no penalty to those who turned in funds during October. It should be noted here that while it is mandatory to surrender bullion and foreign currency, it is impossible to purchase it back from the Government in the event that it is necessary. The only exception to this rule is for approved imports and for student exchange abroad. Needless to say, this exchange is granted rarely.

"CONTROL" MEASURES

Major-General Chiang Ching-kuo, son of Generalissimo Chiang Kai-Shek, was appointed to supervise the operation and control of the new currency. He apparently is strongly backed by his father and has the power of life and death over most of Shanghai's population at present. Dealing in foreign exchange is considered in certain cases traitorous and has been punished in several cases by death. Whole battalions of special investigators have been given wide powers of search and arrest. Little regard is given to normal process of law so highly prized in other nations.

All prices were ordered frozen as of August 19. Hoarding (the holding of more than a three months' normal supply of any commodity) was considered illegal and hoarded goods were subject to immediate confiscation. To this date the term hoarding has not been interpreted to an extent that merchants are at all sure

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of their ground. Shops were compelled to sell at official prices and it has become illegal to refuse to sell or to close a business for any reason without the prior approval of the economic police. The Stock Exchange was closed and trading in shares forbidden.

RESULTS

While all the measures referred to above were apparently designed as a last stand fight to preserve the economy of the country, it appears today that the new measures may be the straw that breaks the camel's back. Business in general has come to a standstill. With prices controlled at the August 19 level, the city underwent a mad buying spree which lasted until the shops emptied. Inasmuch as the new controls had made it illegal to invest in the blackmarket, in commodities, or in the stock exchange, the money which would normally have gone into these channels hit the retail market in full force and cleaned it out. At the controlled prices, shopkeepers and businessmen of all kinds have been unable to replace their inventories.

The control measures which have hit Shanghai so severely have not been carried out with any real success in the surrounding areas. The result of this is that only meagre supplies of foods or other interior products are coming in. At present, it is noted that all supplies must be purchased at blackmarket prices if they are to be bought at all. Even rice, the staple diet of most Chinese, is virtually unobtainable at present. Farmers and wholesalers up-country cannot afford to sell to the Shanghai market at prices lower than replacement costs. In this respect it should be noted that with the exception of coal and wheat, nearly all of Shanghai's daily necessities originate within the nearby area, which is not yet controlled by the Communists. This present shortage of food and fuel in the cities is only caused by a price situation which is completely unrealistic. It is starvation in the middle of plenty. The basic fallacy in the economic reform and price control program is that the controls have been directed at the retailer and consumer rather than at the producer. It is obvious that such a program is doomed from the start.

At the time the Government ordered the closing of the Stock Exchange, it decided to sell shares in Government owned and operated enterprises. This idea is one which people had looked forward to for a long time, as the Government monopolies had created considerable uneasiness in the textile and shipping markets. It was announced, however, that the number of shares sold would be less than necessary to control the industry. The shareholders would therefore have no voice in the management, which would remain under the same bureaucratic control. No balance sheet was published for the scrutiny of the prospective buyer. The result was that these shares hit the financial market with a very dull thud, and their sale was largely limited to Government-controlled banks and companies.

The Government has stated that it would require only Gold Yuan 200,000,000 to redeem the outstanding CNC. At this date over GY950,000,000 has been issued, the difference presumably representing Gold Yuan paid for the purchase of foreign currencies and bullion.

Prices of almost all retail commodities have increased from one to three hundred percent, and Hongkong newspapers clearly state that foreign exchange rates against Gold Yuan in Hongkong have similarly increased. This increase in the actual cost of living has made it extremely difficult for most people in Shanghai to live within their income, with wages and salaries fixed by law at the August 19 level. Since it is unlawful to raise wages, business is caught in a snare from which there is presently no legal escape. It is significant to observe that the first strike for higher wages was by Chinese Maritime Customs employees, which was settled by loaning them money. Undoubtedly the employees of private textile mills or other non-government enterprises will demand the same solution. The problem of the employers, already forced to operate at a loss on August 19 levels, will be a difficult one and if they are not able to find the necessary increases, the labor situation is not pleasant to contemplate. For the moment it would appear that Government employees only are in a sound enough position to strike.

The present economic confusion is blamed by many people on the unfavorable turn of events in the Civil War. While it is true that the Nationalist Government is steadily losing the war north of the Yangtsze River, the current impossible situation can be blamed largely on the new regulations. For example, at the same time the Government ordered all prices frozen as of the August 19 level, it authorized considerable increases in tax rates and Customs duties and tremendously increased the prices of petroleum products and cable rates.

The favorite tactic of all totalitarian governments is to bait some defenseless group as a sop to the multitude. In the erstwhile commercial centers of China it is known as "tiger hunting." The fundamental idea is to prevent hoarding and profiteering. Hundreds of people have been summarily arrested and jailed without charge and held without bail. Some violators have been executed for blackmarket operations carried on prior to the 19 of August. While it was then illegal, these markets constituted a free and common part of the business activity of the city. It amounts in many cases to an ex post facto conviction. The convictions obtained so far have all been restricted to small operators who are indeed very small "tigers". It is safe to say at this point that the tiger hunters have gone forth fully armed for the chase and returned with a bag of mice.

FOREIGN BUSINESS

In this chaotic picture, foreign business has generally suffered the same fate that has been the lot of private Chinese business. The present American aid program operating under ECA has continued to indirectly push the American firm further out of the market and to favor government to government dealings alone. There are certain exceptions to this rule, however, in that some American firms have obtained contracts and other business from ECA. With the exception of the companies who have been thrown a bone from ECA, the vast majority of foreign firms are today in a critical situation from which there must be immediate relief of some sort or they shall be forced to close. Bank lobbies once a thriving hive of activity are now quiet as a tomb. Exporters who have recently shipped the last of their local stocks are now unable to replace them. Importers of general commodities have not, in the past few months, been able to import enough to pay their office expenses. The premium income of insurance companies, which is a good guide to the amount of trade carried on, has dropped at least 50 percent on the average. Manufacturers are unable to obtain the necessary raw materials, are forbidden to pay their workers a living wage and cannot remit home if they are lucky enough to make a profit in terms of local currency.

TRANSPORTATION

In our previous reports we have mentioned the difficulties faced by commercial firms and travellers in obtaining transportation in and around China. The Ministry of Communications has supervisory control over all forms of transport in China and of all the Government branches this one seems to have done a tremendous job with the very small facilities in its possession. It should be noted here that an ECA grant has recently been made to various Chinese railways for improvement of trackage and rolling stock. In a country embroiled in civil war, the trains, aircraft and busses run on schedule. Although tremendously overloaded, the Chinese railroads have managed to shoulder their burden in an extraordinary way. Today the railroads and air lines are the only safe and dependable means of transport within non-fighting areas. Even where tracks and rolling stock are periodically destroyed by Red troops, service is maintained on a very high level.

It would indeed be fortunate if the same could be said for China's domestic steamship operations, both public and private. The operations of private and Government companies south of Shanghai are still reasonably effective, but public and private companies are both faced with ever-increasing difficulties from arrogant, unruly and undisciplined rear area soldiers. Wandering groups of these military rascals descend upon ships and at gun point force the ships' officers to take them

where they will. Needless to say, the cargo is apt to suffer a fate similar to that of the ship. Steamship lines which previously had maintained operating schedules are now unable to do so because their vessels are so often commandeered by military order. This might be understandable if the military undertook to reimburse the owners for fuel and expenses, but this is rarely the case and the owners are presumably to put up with this high class piracy as part of their contribution to the Chinese Government's "bandit suppression campaign."

The Government has maintained its attitude in refusing to allow foreign flag vessels the right of ocean navigation on the lower Yangtze River. Even relief cargo must be transhipped at Shanghai incurring tremendous and entirely unnecessary charges, to say nothing of pilferage losses. This peculiar nationalism is especially curious in light of the Government's present plight. Foreign vessels are allowed free navigation to all other river ports in the world, but China has so far chosen to close her interior from world shipping even at her own expense, and at a time of real need for facilities greater than those China possesses.

The present shipping strike on the West Coast of the United States has had a serious effect on the operations of American lines throughout the Orient. With the bulk of their vessels strike bound, export and import cargo is moving out on vessels of other nationalities. At present, export tonnage is so small that most export shipments have little difficulty in obtaining space. This situation has been a boon to all non-American shipowners. Shippers have been generally unwilling to ship to the West Coast and have sent their cargo into Canadian or Gulf ports as they cannot afford to have it lie strike bound for an indeterminate period at a West Coast port. There are at this moment no further vessels scheduled for West Coast ports. This unfortunate situation further deteriorates the already deplorable export picture.

Of all foreign business operating in China, the airlines seem to be meeting the largest degree of success. They have had their share of difficulties in conforming to some of the regulations of the Government relative to air navigation, but these are largely a matter of the past and the present operations are from a comparative standpoint unhindered.

In the last year, there has been so little commercial cargo going to or from China that many shipping lines have long since reduced the number of vessels calling at China ports. It is quite probable if American relief shipments were discontinued and if the present economic confusion continues that there would be little need for the tonnage now calling at China ports.

IMPORTING

Prior to August 19 and the institution of the new currency, most commodity prices in Shanghai were calculated on the basis of the official rate of exchange plus the daily rate of the exchange surrender certificates rather than the outside black market rate. This was the natural method of calculating prices, as it represented a means by which a wholesaler or retailer could obtain replacement stocks on the theory that he could obtain an import license. When the new currency was put into effect, prices were frozen, but the conversion rate was made on the basis of CNC$3,000,000 to one GY, and GY4 to US$1, or CNC$12,000,000,00 to US$1. Exchange surrender certificates and the official rate combined as of August 18 was CNC$8,276,000 to US$1.

This meant that a wholesaler or retailer had his prices figured on the basis of CNC$8,276,000 to US$1, whereas if he were to reorder the goods after August 19, he would have to pay on the basis of CNC$12,000,000 to US$1, or now GY4 to US$1. He automatically, therefore, was obtaining some 30 percent less than his replacement cost. At the same time, there was imposed a 40 percent surcharge on Customs duties and additional increases in taxes. The combination of these two or three additional surcharges ranged from an additional 10 percent to 50 percent of the c.i.f. value.

Following the three day moratorium from August 19 through August 22, importers, both foreign and Chinese, took time to observe the impact of the many new rulings. Several days passed before the full import became clear. Business, what little there was, came to a complete standstill.

At the time of the institution of this new currency, it was announced

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that the Government's general policy was to encourage exports and to discourage imports. Import allocations were to be cut further and as a result, the importers' general outlook was bleak. Even so, the majority of import licenses granted during the past six weeks have not been fully utilized as wholesalers, importers and dealers cannot see putting out, for example, US$12 in order to obtain merchandise which has a frozen re-sale price the equivalent of US$8. Until price levels have been adjusted, business must remain completely stagnant.

There are other major problems involved. Where previously most firms converted their rapidly devaluating CNC into something more sound, today they are unable to convert their GY. As a result, nearly all firms are accumulating Gold Yuan and are afraid of the probable depreciation of the new currency. There is little confidence in this new currency as evidenced by illegal transactions that are mushrooming throughout every city in China where control is not as stringent as in Shanghai. Despite the rulings that prices were to be frozen and despite the many thousands of economic police who roam the cities, prices continue to go up, mostly on an "under the counter basis."

It is still premature to come to a definite conclusion on the full effect of the Chinese Government's price control measures on importers. If a realistic attitude is taken, perhaps something concrete may evolve out of this economic chaos. On the other hand, if the authorities continue their police methods with complete disregard for economic law, then only greater chaos can come. The increase in cost of imported commodities caused by the alterations in exchange rates and other tariffs, have raised prices above the ceiling levels of August 19. Some customers are continuing to place orders with importers on the basis that a realistic view will have to be taken by the authorities. It is apparent, however, that some customers are reluctant to accept orders already placed with importers and have requested cancellation of orders and return of margin money paid.

It is the general opinion here among manufacturers' representatives, importers, and businessmen that the position of the importer is more precarious than at any other time in the past and that more than likely the situation will not improve in the near future. The tendency, certainly on the surface, is one which appears to be a general Government policy—the gradual encroachment on private business by Chinese Government monopoly.

EXPORTING

For a period of approximately one month previous to August 19, the position of the exporter was the closest to being favorable that it had been for a long time. Although the institution of the exchange surrender certificates did not help immediately, owing to the still large discrepancy between the blackmarket rate and the total official rate, the value of the surrender certificates gained slowly to a point where exporters whose lines were experiencing good business conditions abroad could afford to absorb a 20 to 30 percent exchange loss. During this period, export in these lines began to move in fair volume. In addition, the legitimate exporter was finally in a position to do business, as the value of a system of under-invoicing was practically negated by the decreased difference between the black and composite rates. Under-invoicing, or paying to the dealer who sells to the exporter a certain percentage of his total price in foreign currency abroad, is a system whereby a smaller amount of foreign currency is surrendered to the Central Bank at the official rate of exchange. Local suppliers, of course, have always been paid in local currency, basing their prices for export purposes on the blackmarket rate.

The August 19 currency reform quite naturally put a temporary stop to most new export business. Conditions for the first month were completely unpredictable, some lines were moving in good volume, while others were at a complete standstill. This, of course, depended entirely on the attitude of the Chinese suppliers. Those who had confidence in the new currency were willing to sell, those who were in need of GY funds were forced to sell, those who were in a position to sit and wait, did so, refusing to make any offers.

Due to the currency change-over, the US dollar surrendered to the Central Bank was now worth the equivalent of CNC$12,000,000 whereas before August 19, this dollar officially was worth a maximum of CNC$8,276,000. This meant that an exporter by paying the same US dollar price for cargo could actually pay 45 percent more in terms of local currency. This would have been a real impetus to business except for the fact that the Government strictly forbade price increases in local currency. At the same time, the institution of floor prices in terms of foreign currency (minimum foreign currency prices at which export licenses would be granted) made a decrease in foreign currency prices impossible. Thus we had a situation where exporters were forced to increase their prices in GY or face the refusal of an export license, while at the same time dealers were forbidden to accept any GY increase.

With the announcement by the Government that all foreign currency holdings were to be surrendered to the Central Bank, there was a new impetus to business, that is, to business where the exporter was willing to cooperate with the dealer in transferring funds out of China. Under-invoicing came back strongly in lines where that system was practical.

After approximately one month, the lack of stability of the new currency became fairly clear to all concerned. Due to the Government's valiant but misguided efforts to hold price levels in Shanghai, suppliers in other parts of China have more or less placed this city on the black list. Those who can hold their goods in the interior are doing so, waiting confidently for a return of conditions to the state existing under the ill-fated CNC. Those whose goods are perishable look high and low for some way to sell at what they consider fair prices. In cases where people are afraid to bring their goods into the city in search of a price better than the August 19 level, the blackmarketeers service them happily, buying from them on the spot, and transporting these goods to Shanghai themselves.

Export is practically at a standstill at the moment, since local prices, where dealers are not afraid to violate price ceilings, are based on the now acknowledged "over-the-ceiling" rate. Dealers who are still afraid to violate price ceilings are doing their best not to sell at all. The legitimate exporter's hands are now tied again as he must buy his goods at the "high" rate and surrender his exchange at the official rate. There are very few lines that can be exported under these circumstances.

CONCLUSION

The Government has once again blithely ignored one of the cardinal principles of a healthy economy, namely, that a country in need of imported goods must stimulate its exports in an effort to achieve a favorable balance of trade. Of course, the Government is carrying on a great deal of importing and exporting in its own name—and these new regulations have not damaged it. The private businessman becomes suspicious after a certain point. Despite the platitudinous lip service paid to private business by the Government, it is inconceivable that the stifling of private trade by the Government is a blunder.

It is interesting to note at this point that Government news releases convey to the casual reader the impression that a large volume of export business is being done. For example, headlines of October 22 read as follows: "CITY EXPORTS US$3.2 MILLION IN 8 DAYS." The reader would have to thoroughly digest this article in order to realize that of the figures given, US$2,000,000 was government export and a large portion of the balance was semi-government export.

Imports have theoretically been curtailed. However, this refers more specifically to private imports. Government importing has been increased proportionately partially due to the ECA porgram.

If an attempt is being made quietly and systematically to force private enterprise out of business, a clear statement to that effect would be welcomed. If this is not the intention of the Government, then it is time that they consult thoroughly and properly with the private business groups and take action to relieve their plight.

Report On Szechuen

Robert Ling

DURING the Sino-Japanese War the Government depended heavily upon Szechuan for its food supply and manpower. Seventy percent of the rice and conscripts which the Government needed in its battle for existence came from this province, because at that time many other rice producing provinces, such as Hunan, Kiangsi and Anhui, were either partly or entirely occupied by the Japanese. Yet, after having taken so much from Szechuen, the Government is still taking all it can while giving too little in return.

The Szechuanese have been planning a railway to link Chengtu and Chungking since long before the establishment of the Chinese Republic. However, not even today does the province have a single foot of operating railway. Survey work on a railway project was completed in 1936 and most of the tracks were already laid by 1937. The Government has made numerous promises of aid in the realization of this dream of the Szechuanese, but nothing has come of them and the dream remains just that—a dream. Negotiations for foreign aid have been made with representatives of the French Bank and the American Government, but these have come to nothing either. A Cheng-Yu (Chengtu-Chungking) Railway Administration exists in Chungking, an Administration which has scarcely enough money even to pay its employees—not to mention building up a functioning railroad.

Highway World's Worst

The Chengtu-Chungking Highway is the only means of communication available to the common people, for CNAC and CATC planes, being so small in number, can render service only to the wealthy or well-connected few. A bus ticket from Chengtu to Chungking costs, roughly, GY10, with a luggage limit of 15 kilograms. Mr. Keng Huan-ming, a graduate of Peiyang Engineering College, is in charge of the highway, one of the world's worst, its 444 kilometers having been built in 1928. It is only with the greatest or difficulty that he is able to keep his 300 trucks rolling along this tortuous artery which links the two important cities and is the lifeline to the huge Government army in the Northwest. The highway is surfaced with soil and cobble stones—here cement is a luxury, and pitch is something heard of but not seen. The over-loaded trucks do great harm to the delicate road surface. Engineer Keng says that maintenance is becoming more and more difficult because of the ever-rising cost of labor and materials.

Passengers often have to buy their tickets on the black market, especially those travelling from one to another of the small mid-way stations. Such a passenger is called a "Huang Yu" (yellow fish), and he buys his ticket from a "Huang yu tou" (yellow fish leader). These latter have formed themselves into a strong gang, a vested interest which has an understanding with both the truck drivers and some of the officials of the highway bureau.

Some of the vehicles operating in Szechuan were built in the 1920s. Thus, it usually takes a passenger five or six days to make the 444—kilometer trip. Because of their antiquity and the over-loading they are subjected to, the trucks often "pao mao" (anchor) in the most inconvenient spots along the way. The experience of having one's truck "pao mao" at a place 30 or 40 kilometers from the nearest station is one that cannot be easily imagined by those who have never undergone it. Sometimes, though not very often, a truck will go careening down a cliff and a number of lives will be lost.

Sugar Production Falls

For centuries Szechuen and its neighboring provinces have depended upon Nekiang, the mid-point of the Chengtu-Chungking highway, for sugar. Sugar produced in Nekiang supplies places as far away as Ninghsia in the Northwest, Kunming in the Southwest, and Ichang on the upper Yangtze. In 1940 the China Sugar Company was established. Its $8,000,000 capital was put up chiefly by the Kung family, the Bank of China (which is also under Kung influence) and the National Resources Commission. Turning out an average of 80 tons of crystaline sugar and 2,750 gallons of alcohol a day, the company reached a production climax in the latter years of the war when the American Air Force and many other foreigners were in Szechuen. But bad times came with the end of the war. In the fall of 1946, most of its chemists and engineers left for Taiwan, where prospects were more encouraging. Its modern equipment is now lying unused, while only 40 of the former 400 employees are making sugar, having returned to the old methods used in centuries gone by. Present daily production is about 100 kilograms, and the quality is poor. The company has been trying in vain to sell the plant, but no one seems to want to invest in a withering industry.

The sugar industry of Szechuen is, like any other industry in present day China, seriously affected by the Civil War. Since the people of Nekiang are all dependent, directly or indirectly, on the production of sugar, the bad communications, dwindling production and increasing prices have had a severe effect upon them as well as the industry.

When Japan surrendered, Generalissimo Chiang announced that Szechuen would be exempted from the rice levy for the entire year of 1946. However, this promise was ignored as had been the others. The rice problem has been a topic for hot debate in the Provincial Council during recent years. When Wang Ling-chi became governor, he promised the Generalissimo to supply 24,000,000 tan of rice to the Government in 1948. The Provincial Council, largely composed of ex-warlords and ex-officials, was against the Governor's promising any such amount, and only passed the measure reluctantly and with much vehement wrangling after a special prodding message had been received from the Generalissimo. This summer Szechuen suffered an unusually heavy rainfall, and it is expected that the rice crop will be affected. But, as the Government's need to carry on the Bandit Suppression Campaign takes precedence over the needs of the people, Szechuan farmers will simply have to tighten their belts and supply the rice anyway.

Communist Agents Shot

A couple of months ago two Communists were publicly shot in Chungking. This was the first case of public execution of Communists since VJ Day. They were accused of agitating for rebellion and endangering the social order, and one of those executed was said to have been active in underground activities, paving the way for the expected Communist invasion of the province. Several students of National Chungking University have been arrested for taking part in the anti-starvation, anti-Civil War, anti-American demonstrations.

General Teng Hsi-hou, though appointed Commissioner for Pacification of the Szechuen-Shensi-Hupeh Border Region, is apparently still in disgrace after being dismissed from the governorship of Szechuen. Considering the smallness of the force put under his command, it is easy to see why Teng is reluctant to assume his new duties and is meanwhile resting in his beautiful villa, Pai-huatan (hundred flowers pool), in Chengtu, where the great poet Tu Fu lived a thousand years ago. One of his subordinates is acting for him at his headquarters in Hanchung. Of the forces in the region, one is under the direct command of the Generalissimo, one is under General Hu Tsung-nan, and the third is Teng's own force consisting of something less than 1,000 men—hardly enough to form a complete regiment.

CUT THE RED TAPE

J. R. Kaim

AT the time of writing, the Government has not yet announced its decision with regard to future exchange rates. If information received by local financiers is correct, views of the different cabinet members in this respect diverge widely and there seems to be a certain reluctance to establish rates for foreign exchange which are too high. Yet there are many indications that only two remedies can be applied to normalize the market and there are many indications that if such remedies are to help, they must be applied immediately.

The first of the two is a rapid and drastic increase in imports of all kinds except luxuries. The second is the establishment of realistic exchange rates which would offer the export trade a chance.

In this journal, it has been explained more than once that public confidence in a currency depends on what people can buy for their money. For many weeks, people here could buy little if anything, and no matter whether such shortages were genuine or fake, the recent disaster was caused, to a great extent, by the shortage of available goods. However, the Government not only has its own national currency but it also has very considerable amounts in foreign exchange which, one may hope, it will use for importing raw materials, semi-finished goods and some kinds of consumer goods. If decisions in this respect are belated, they can help little. If the whole scheme is looked after in that red tape manner that in recent months has done so much harm to China's trade, its results may be poor. But if the decision is arrived at swiftly and if everything is done in a business-like manner, there certainly is much hope for improvement.

When and if large imports are secured, prices may remain stable for some time and may even decline. When essential industrial goods are neither restricted nor curtailed, production can increase. When consumer goods are available and money can buy something, there will be no rush and no buying craze. Moreover, businessmen who during the past few weeks tried every trick in order not to sell, may then be highly interested in selling. This can be expected to lead to reasonable export conditions, i.e., to prices which can compete on the world markets and which would render exports of manufactured or semi-manufactured goods possible. In this respect, much, of course, will depend on the Government policy with regard to foreign exchange.

It has been advocated recently that the Government should free the foreign exchange market and let the GY find its own level. Were the military position less dangerous, such a suggestion might be quite realistic and practical. As matters stand, however, no responsible financier can advocate a free market even through he did so a few months ago. To be frank, the danger is that, with the military position as bad as it is, thousands of people will try to remit their money not to Canton but to the United States.

However, while under prevailing conditions one can hardly recommend a free market, it is obvious that the many still-prevailing restrictions have gone a long way in creating a blackmarket. To stick to them would no doubt give impetus to new black activities. To make the scheme less strict, on the other hand, may render blackmarkets nearly unnecessary, the supposition being that the official exchange rates are fixed on a realistic basis.

The Government's recent defeat on the financial front was caused not only by unrealistic regulations, but also by a lack of sensitivity. The people were ordered to do this and to leave that. They were told to surrender their savings in foreign exchange and bullion, not to deal in stocks, to buy shares of Government-operated companies, to buy new Government bonds, to stick to floor prices—but they were not told anything about what would be achieved by the values they surrendered, nor about the advantages they would enjoy by following the various orders and requests. While people were being jailed or shot as blackmarketeers, the whole economic system collapsed.

Apart from regulations and rules, little was prepared when the new currency was promulgated. Practically nothing had been done for preventing a decline in production, also nothing for an increase in supplies. Under such conditions, the failure certainly was no surprise. However, while what has happened cannot be helped now, it goes without saying that none of the mistakes committed should be repeated, and that once again the prerequisites for a stable currency are increased supplies through sharply increased imports and realistic exchange rates.

Businessmen are ready to buy the needed goods at the cheapest prices and to ship them to Shanghai at once. It would not take much time to carry the cargoes here if business activities were not hampered by red tape and if no valuable time were lost by mapping out complicated regulations. Goods are available and the foreign exchange is in the hands of the Government. Many cargoes can be shipped to China even if the West Coast shipping strike continues for some time. There are stocks in Hongkong and in Manila which can be sent here within a few days, and there are still ships arriving from other lands, ships to carry much of the goods needed. Thus, there are no "natural" handicaps and the main problem will be not to create artificial ones.

To limit such imports to raw materials, as has been occasionally advocated, would not be of sufficient help either. There are real shortages in certain imported consumer goods which people need or are longing for, goods which China does not manufacture herself. Again, it would be a lack of sensitivity to the people's reaction if imports of such goods were not permitted. A refusal would show that one of the main sources of the recent debacle has not yet been fully recognized, namely, the reaction of the people to restrictions and regulations, to shortages, and to the impossibility of using one's money for the purposes one is interested in, for buying the goods one is in need of.

There has been much time for planning and all one can hope for is that, now that the chief mistakes of the recent currency promulgation and the rules connected with it are known, the past few weeks have been used for mapping out a realistic import plan. Without able, genuine planning no controlled economy can work; if this statement needs any proof, it has been supplied during the weeks from August 19 to October 31. That new plans are needed goes without saying. But they can have good effect only if they are based on practical considerations and are mapped out in accordance with the ideas of and suggestions made by businessmen who know the market and have had sufficient experience to foresee its reactions.

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Who's Who in China

T. C. TSAO, electrical engineer and Government official; was born in Shanghai, 1901; graduated from Nanyang University (now Chiaotung University), Shanghai, 1924, with a B. Sc. degree in

T. C. Tsao

(曹 becoming 直)

electrical engineering; went to England to undergo a college apprentice-ship course for 2½ years, in the Metropolitan-Vickers Electrical Manufacturing Company; visited Germany to get experience in the Siemens Company; went to U.S.A. and graduated from the Harvard University with the degree of M. Sc. in electrical engineering in 1929; after return to China, joined the faculty of the National Chekiang University as professor of electrical engineering and became the head of the School of Electrical Engineering in 1930; appointed Director and Chief Engineer of the Chekiang Provincial Telephone Administration and concurrently a member of the National Reconstruction Commission in 1931-41 and during the tenure of office successfully completed the long distance telephone network of Chekiang, then the model province of China; assumed the post of Commissioner in charge of Telecommunications of the Third War Zone covering five southeastern provinces of China in 1939 and constructed the telecommunication network for the whole district, establishing the long distance, wire and also wireless, telephonic and telegraphic services with Chungking to the great advantage of military operation and civil use; appointed the first Ministral Director of Posts and Telecommunications of the Ministry of Communications in 1943 and later Councillor of the same Ministry, responsible for drafting plans and making preparations for post-war rehabilitation of communication services in China; awarded for meritorious services the first degree first class medal of telecommunication, the Victory Medal, and the fifth class Chin Hsing Medal; appointed Commissioner of Public Utilities of Shanghai in 1945, responsible for coordination of the various utility services in Shanghai, the establishment of the City Bus Service, and promotion of the United Power Company project; author of "Telecommunications of China", "Postal System of China", "Engineering and the Engineers", Military Signal Service", "Post War Reconstruction of Communications for China", and two volumes of "The Public Utilities of Shanghai"; Address: c/o Bureau of Public Utilities, 50 Kiukiang Road, Shanghai.

The Week's Business

THE week ending November 3, certainly will be remembered as the worst, from an economic point of view, in the history of this city. Shanghai has gone through many upheavals, but never before have there been such chaotic conditions, or such detriments to doing normal business.

When on October 31, the Government decided to lift the August 19 ceiling prices—which were applied only by public utility firms and a few other enterprises—the market was in a state of chaos. As the Government did not and, probably, could not immediately establish a new price basis, almost all shops closed down and retail business, apart from the sale of foodstuffs at very high prices came to a standstill.

The situation was not better in the wholesale trade either. Wholesalers were not eager to sell and invented dozens of excuses for not selling goods which, they believed, they would be unable to replace at original prices.

Production of consumer goods declined drastically. This caused the boom on the real estate market to come to an end, as the shortage of building materials rendered the construction of new houses either enormously difficult or practically impossible.

In a few fields, exports were still possible. This can be explained by the fact that in spite of the official 4:1 rate of exchange which rendered shipments by commercial firms almost impossible, some firms had been able to come to special arrangements with their suppliers. Generally, however, shipments made during the week under review were reported to have consisted of stocks bought by the end of August. To such exports one may add some more carried out by the Central Trust of China.

Also on the financial market, business during the week under review was extremely turbulent. Money was scarce but people wanted to buy whatever they could obtain. As the rules issued by the Economic Supervisory Office were still in force, wholesalers were forced to sell at least small quantities (in order not to be denounced). To finance the buying of such goods and also to invest in black buying activities carried out by so-called Yellow Ox Gangs, money was needed. Because, on the other hand, interest rates paid in the interior provinces were extremely high, such funds could not be obtained easily and the interest rate which had been 21 percent to 24 percent per month around October 24, rose to 36 percent and 45 percent by October 30.

Speaking of the activities of "Yellow Ox Gangs," local businessmen made it clear that nowadays that term refers to all sorts of business-gangsters who by one means or another try to dominate certain markets, with an eye to forcing prices up and disturbing regular trade activities. Businessmen made it clear that such gangs can operate only in exceptional, abnormal times when goods are scarce and the money market disturbed. Asked why such gangs did not exist during the war, when commodities were as scarce as today, if not scarcer, businessmen were in no position to offer an explanation.

On Wednesday, November 3, last day under review, the various trade guilds in Shanghai explained to Mayor Wu that supplies of meat and several other foodstuffs would increase in the very near future. They could promise nothing with regard to rice supplies, however.

In the field of industrial raw materials, dealers continued to wait for further governmental regulations and general decisions. As no foreign exchange rates were announced, it was difficult to establish real prices, i.e. prices sufficiently high to cover further buying abroad. While business in metal products, chemicals, dyes and other essential imported goods was reduced to a trifle, the Export-Import Board acted as if everything were fine and normal. From such activities, businessmen concluded that the Board considered its policy normal and considered itself a fundamental and natural institution. They emphasized, however, that although the Board may have done much to aid business in some instances, its bureaucratic policy and slow tempo can hardly be regarded as the means for improving the rapidly worsening trade position.

Meanwhile, it became obvious that quite a few firms, importers, as well as wholesalers and retailers, had used the recent buying spree to get rid of drugs on the market. By selling such goods which had proved unsaleable and had been stored for more than a year, such businessmen made more money than they had expected. The losers are the buyers, i.e. the public in geneal who purchased whatever could be obtained during the weeks of the buying craze.

During the week under review, large quantities of commodities were shipped from Shanghai to outports where prices were reported to be higher. Cotton varn, cloth and chemicals were shipped to Hankow and Chungking between November 1 and 3.

Rumor had it that in order to create an outlet for idle funds, the Government was contemplating the reopening of the stock exchanges. It was anticipated in local brokerage circles that if the exchanges were reopened, stocks would increase by about 300 percent above their last August quotations.

NEWS OF THE WEEK

Price Control Policy Abandoned; Truman Re-elected President

The week under review witnessed a series of sensational developments in Chinese economic and military affairs. Unfreezing of commodity prices was announced as an emergency remedy for the current acute shortages of commodities. Mukden, the last important Nationalist bastion in Manchuria, was lost. The combination of unfavorable military and economic factors made the whole picture most gloomy.

On October 31, the Executive Yuan unfroze all August 19 prices and wages. The new "supplementary economic measures" contain the following:

1. Free dealings at prevailing market prices and free transportation of foodstuffs will be permitted.
2. Rationing of rice in six principal cities shall be continued.
3. Local authorities shall be empowered to control the supply and demand for essential necessities and industrial raw materials.
4. All local restrictions on free movements of food and other commodities shall be abolished.
5. The ban on hoarding and black marketing shall be continued.
6. Public utility rates and charges for government railways and other public services also will be raised.
7. Commodity taxes and other levies shall be readjusted upward to boost government revenues.

Thus, the price control policy which the Government had vigorously enforced since the promulgation of the currency reform program was thrown out of the window. This represented a complete about-face in the Government's basic economic policy in two months. And it need hardly be said that this abrupt change has greatly undermined the confidence of the people and dampened popular enthusiasm about the future of the Gold Yuan, which seems to have dropped in terms of commodities from 300 or 400 percent.

As result of this economic "defeat", Premier Wong Wen-hao and Finance Minister Wang Yun-wu were reported to have tendered their resignations. It remains to be seen whether this will lead to a complete reshuffle in the cabinet.

* * *

Mukden Falls

The city of Mukden fell into Communist hands without much fighting. According to *Reuter*, all was reported to be quiet in the city, with Nationalist gendarmes and police still maintaining order pending completion of the change-over. The local population was described as calmly awaiting developments. The fall of Mukden would virtually end Nationalist hopes of clinging to Manchuria and would increase the already grave threat to North China.

Reviewing the current war situation in Manchuria, President Chiang Kai-shek pointed out that the Communist forces "are not in a position" to bring North China under their control. The President assured the Central Political Council of the Kuomintang that there was no need for fear for the situation as a whole. However, he stressed "we must accept the lessons of defeat. We must correct our mistakes, remedy our weaknesses, strengthen our faith and prevent the serious setback from affecting the situation as a whole."

In another public statement, President Chiang emphasized the international background and international significance of the battle of Manchuria. He warned that continued Communist advances in Manchuria may lead to a new world war. "Should the Communists rule over the nine northeastern provinces, it would mean the virtual beginning of another world catastrophe. Obviously, without an integral northeast there will be no independent Korea nor peaceful East Asia."

* * *

PRESIDENT Harry S. Truman was dramatically returned to office on November 2, in the closest American presidential election in 32 years.

While complete returns were not in at the time this magazine went to press, Republican candidate, Thomas Dewey, had conceded his defeat.

The news of Truman's reelection was all the more astonishing in view of the fact that the majority of the American press had supported Dewey and had predicted an overwhelming victory for the Republican candidate.

In addition to Truman's victory, the Democratic party captured both the House of Representatives and the Senate. Of a total of approximately 50,000,000 votes counted at the time Dewey admitted his defeat, the popular vote stood at: Truman 19,860,759; Dewey 18,488,038; Wallace 1,828,075; and Thurmond 784,246.

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Opinion Differs

Opinion is divided on the effects of the battle of Manchuria on the future of China's civil war. According to *Reuter*, authoritative sources in Nanking hold the view that the final outcome of the Chinese civil war will be decided, not in Manchuria as at present, but on the North China battlegrounds where the element of United States aid to the Nationalists will play a decisive role. It is explained that the current fighting in Manchuria is but a prelude to the "final show" and when they get into position for warfare below the Great Wall, the Nationalist forces under General Fu Tso-yi can count on exclusive use of all United States assistance in the form of arms and ammunition.

They said that under an agreement signed with the personal approval of Generalissimo Chiang Kai-shek between the Chinese Government and Admiral Oscar Badger, Commander of the United States Western Pacific Fleet now stationed in Tsingtao, all future military aid will be transported by United States Navy ships direct to North China, earmarked exclusively for General Fu's fighting forces.

Reuter continues to add that "it is this assurance, reinforced with almost certain knowledge that United States military assistance will be increased substantially in the event Governor Thomas Dewey wins the American presidential election, that provides the only hope for the Nationalists of averting a complete military disaster."

But others are of the opinion that the outcome of the civil war in this country is already a foregone conclusion. Harold K. Milks of the *Associated Press* wrote on November 1 from Nanking: "Three weeks ago I wrote that China's Civil War would be decided in the next 60 days. With Chiang Kai-shek's return to the national capital, which was stunned by the failure of his two-week effort to recoup the military fortunes in the north, many high Chinese and foreign sources are agreed that the war is already decided. Fighting may continue for weeks or months, they say, but the effort to defeat the Communists on a nation-wide scale has ended—killed by spiritless, tired Government armies who no longer are willing to resist, let alone attack. There are still thousands of Chiang's forces under arms defending Peiping, Tientsin, Hankow, and the Shanghai-Nanking areas. But it is doubted here that the man who led the Government for a score of years will any longer be able to rally them against the Reds."

* * *

World Reaction

The dramatic fall of Mukden created a big sensation. In Nanking, foreign observers regarded it as the greatest victory for the East in its postwar global struggle against the West—placing the Chinese Communists in solid and full control of the richest and most highly industrialized part of China. World public opinion was said to have been disturbed by the bad news. In London, the news was front-paged on all the national dailies as a major disaster for the National Government.

From Paris came reports of the shock experienced by influential delegations there, and from the United States dispatches spoke of State Department gloom over the future of the Nationalist regime. *AP* reported from Washington, October 30: "Officials show deep concern over military, political and economic reports. They no longer appear so confident that Generalissimo Chiang Kai-shek's government can win the disastrous Civil War with the Communists. If present trends continue, some authorities here state that two other long-range possibilities are stronger than the chance for survival of the present government. 1. The Communists within a year or so may extend their mastery over all China or all but an insignificant part. 2. Some sort of new leftist government may emerge combining political elements now active in Chiang's government with the Communists."

* * *

Evacuation

The sudden change in the situation in Manchuria and North China confronted the foreign powers concerned with many delicate issues. The American, British and French consulates in Peiping have "advised" their respective nationals to withdraw from North China, calling attention to the danger that "hostilities may spread to areas hitherto peaceful and that normal transportation facilities may be completely disrupted."

But latest reports indicate that many American residents in North China prefer to remain where they are. *UP* reported on November 2 from Peiping that the initial reaction to the evacuation circular had brought indications that at least half of the 900 Americans would remain in the face of Communist occupation. Missionaries, medical workers and educational groups make up the biggest part of the total, and most of them, it is believed, will elect to stay on. Some commercial and business representatives both in Peiping and Tientsin are also expected to stay.

In Mukden, the American, British and French consulates remain functioning under Communist occupation. It is stressed that their continued functioning does not imply *de facto* recognition of the Red regime, because the status of consulates is quite different from that of embassies. They are not accredited to governments as embassies are. Consequently, the presence of foreign consulates in Mukden would in no sense imply recognition of the Reds.

However, it is felt that the foreign consulates in Mukden will probably sound out the Communists' policy toward foreign powers. As the *Associated Press* puts it, "as long foreseen, Mukden will became a guinea pig town, where the Chinese Reds will show how they deal with official American representatives."

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US Magazine Roundup

US News & World Report

IN the September 3, 1948, issue of *US News and World Report*, the "Last-Ditch Fight of Chiang Kai-shek" is discussed in a special report from Nanking analyzing the desperate position of Chiang's Government.

"Chiang Kai-shek's China is near disaster. A last-ditch fight is under way to hold things together until the war is won. New currency, frozen prices, trade restrictions, censorship, all are part of a desperate campaign to stave off collapse. Real problem, still unsolved, is Communism. In spite of everything, the war keeps going against Nationalist China." These are the highlights of the article which continues, "A complete crack-up is closer in Nationalist China than at any time since the end of World War II. Emergency measures, proclaimed by Generalissimo Chiang Kai-shek, are required to hold the country together.

"The new decrees are more sweeping than anything President Chiang has tried before. But they deal only with economic problems, chiefly China's galloping inflation. None of the decrees bears directly on the three-year-old war with the Communists, or touches the political problems smouldering inside Nationalist China." . . .

"Opinion in Nanking is that complete failure of the new program will be disastrous for the present Nationalist Government. Chiang Kai-shek, in that situation, may lose his job. There will be imminent danger of Nationalist China's breaking up. The way then will be open for faster advances by the Communists. And US aid, under these circumstances, seems far too little to change the situation.

"The drastic measures of Chiang's program includes a new currency, the freezing of prices and wages intending to return them to 1937 levels, cuts in the number of Government employees, reduction in Government spending to bring it in line with Government revenues (which have been sufficient to cover only a third of operating costs), increase in taxes, complete Governmental control of foreign trade including a crackdown on smugglers, prohibition of strikes, and censorship to prevent press and radio from revealing blackmarket prices for gold, the new currency, or essential commodities.

"Question now being asked in Nanking is whether Chiang's program can succeed as long as Chiang is on the losing side of the Civil War. War has been costing the Nationalist Government 80 percent of its budget, considerably more than it has been able to borrow or collect in taxes. Continued warfare, at that rate, is likely to put a severe strain on the new currency and other reforms.

"Communists' victories, however, continue to pile up". . . The article goes on to say that these victories are not all won on the battlefield alone. "They involve political and economic revolution as well, factors that make the Communists difficult to dislodge, once they move into an area." . . .

"Behind the battle lines, the Communists are consolidating their gains with an agrarian revolution. Landless peasants, a description that fits about three out of every four peasants in China, are being given land the Communists take away from landlords and the operators of big farms. This redistribution of property, as much as any other one thing, makes it easy for the Communists to hold the farm territory they conquer.

"It works this way: Peasants have for centuries wanted land of their own. The Nationalists, though promising land reform, have thus far done little about it. Also, because of the war, Nationalist taxes are heavy and forced requisitioning may take as much as two thirds of a crop. By contrast, the Communists are giving land to the peasants and, so far, are keeping taxes and forced requisitions low by comparison. The result is both political support and fresh recruits for Communist armies.

"Chiang's problem is to come up with an answer to this sort of opposition in the field, while fighting a battle against inflation at home. But his new decrees, though drastic, do not go so far as an agrarian revolution. His idea is to fight the Communists with the same weapons he has been using all along, and to rely on new ones to right things at home. It remains to be seen whether he can win on that basis. This may be his last chance to hold Nationalist China together."

* * *

Fortune

IN an article called "Hong Kong Boom: China Bust" in the September 1948 issue of *Fortune*, there is a graphic description of the extra-legal economic practices going on between China and Hongkong. The article states that through Hong Kong and the adjacent Portuguese colony of Macao, by the devices of smuggling and financial racketeering, capital is being drained out of China at the rate of at least 300 million US dollars per year. It goes on to compare that figure with another: "in an admittedly inadequate attempt to keep the Chinese economy alive, the US is giving the government of China $400 million for a one-year period."

"The fact that China's economic lifeblood is ebbing through Hong Kong and Macao does not deter the inhabitants of those places, whether they are opportunistic Westerners or expatriate Chinese. On the contrary, they are reveling in a boom of fantastic proportions. Hong Kong is one of the few remaining places where fortunes can be quickly made (mostly as a result of illicit trade with China) and firmly held. Little Macao, across the bay, has become the largest free gold market of Asia, if not of the world. The gold comes into Macao by airplane and junk, most of it destined to be smuggled through Hong Kong into China, where already at least seven million ounces have been buried in the ground. This is not necessarily a permanent loss to the Chinese economy. But its temporary loss gravely aggravates the very inflation process that the Chinese hoarder is seeking to escape.

"Gold traffic in Portuguese Macao is legal; in Hong Kong it is not. Being part of the sterling bloc, Hong Kong tried to safeguard its dollar exchange in 1947 by placing an embargo on the unofficial import of gold. Yet the nicely organized Hong Kong Gold and Silver Exchange still does a daily gross business of US$2,500,000 to US$5,000,000. Gold obviously is being smuggled into Hong Kong from Macao, and just as obviously that same gold is being smuggled into China.

"Gold smuggling is one device by which Hong Kong acts as an agency for depleting China's resources. Another is the diversion of one of China's great sources of income, i.e., her remittances from abroad. Before the war, more than 10,000,000 Chinese lived abroad, earning money from Calcutta to San Francisco, from Mott Street to the Champs Elysees. And because of the inseverable filial loyalty of the Chinese most of this foreign exchange (estimated at from $70 million to $130 million of US money each year) found its way back to support the economy of China. The filial attachment is as strong as ever. The overseas Chinese still remit, but only a trickle of these remittances (estimated at an annual US$25 million) now finds its way into Chinese banks. . .

"Lack of confidence is causing the Chinese to remove not only their savings but even their businesses from the country, the most convenient refuge being Hong Kong. In the Crown Colony at present there are 988 Chinese factories, mostly of wartime or postwar origin. Twenty-four other Chinese firms have asked for permission to go into business. In addition to this loss to China's wealth, new U.S. machinery, originally purchased for installation in Shanghai, is now being diverted to Hong Kong. . . ."

The article concludes by suggesting that if the US is really serious about helping to stabilize the Chinese economy and overcome the Communists, it should consider the possibility of bringing pressure on London which in turn should bring pressure on the British authorities in Hong Kong to clamp down on all illegal traffic.

Chinese Magazine Roundup

Wan Hsiang Weekly

THE *Wan Hsiang Weekly* of October 9, 1948 throws some interesting sidelights on former Premier Chang Chun's proposed trip to Southeast Asia, pointing out that this move is connected with the present factional struggle in China's internal politics.

According to the magazine's analysis, the Political Science Group, of which Chang is the leader, wants to use this as a step to check the influence of the CC Clique.

"Why do Chang Chun and other leaders of the Political Science Group attach so much importance to relations between China and other Asiatic countries? Does China really plan to build up her leadership on the continent of Asia? Is China seriously considering making the whole of Asia a base in the present fight against Communism? Affirmative answers may be given to these questions. But the fact remains that the Political Science Group is using the creation of an Asiatic Alliance as a political weapon in its bitter fight with the CC Clique.

"With the rapid approach of the presidential elections in the United States, the realization has developed that the next President of the United States will be a major factor in shaping the future world situation. Judging from present indications, it is clear that the Republican candidate, Dewey, is most likely to win. Dewey has long been known as a leader of the right-wing groups in the States, just as Chen Li-fu is generally recognized as the outstanding torchbearer of the Rightists and conservatives in China. Thus, if Dewey becomes the President of the United States, Chen Li-fu may prove to be the only Chinese leader able to maintain traditionally cordial relations between China and the United States.

"Besides, it was quite possible that during his recent visit to the United States, Chen might have established working relations with Dewey. If Dewey is elected President of the United States, there is a distinct possibility that Chen may be called upon to form a new cabinet. Needless to say, such a possibility must be regarded as a political crisis for the Political Science Group. This is the reason why the Political Science Group has been anxious to improve its relations with other countries.

"The Political Science Group, following the steps taken to strengthen Sino-Japanese relations, has come out in the open, advocating the organization of an economic alliance for the countries in Southeast Asia. But the problem, of course, is not that simple. Although the Political Science Group has the plans ready on paper, there is considerable diplomatic procedure and bargaining to go through. International relations are very complicated. The situation in Asia today is characterized by discord and confusion of a more serious nature than is found in Europe. On what basis is the proposed economic alliance for Asiatic countries to be built? China has very little goods to offer other people and what others are in a position to give to China cannot possibly be obtained on account of the current lack of foreign exchange.

"Thus, the much-talked-about economic alliance for Asiatic countries," the magazine concludes, "is nothing but part of the internal political struggle in this country."

* * *

Observer

THE *Observer* of October 23, 1948 carried a long report on the current political situation as viewed by some responsible Government leaders in Nanking. According to the report, important Government leaders entertain high hopes for China's future in spite of the present temporary military reverses sustained by the Nationalist troops. Their line of reasoning is something like this: "There is no need to be afraid of the Communist army. The temporary victory won by the Reds does not present any threat. Even if the Reds should occupy half of China there is still no cause for anxiety. As soon as World War III breaks out, all problems will be solved. When the United States makes use of her atomic bombs, the Chinese Communist troops could be reduced to ashes in no time, and the Chinese Government will recover all the territory that has been lost during the past three years."

The report then relates some amusing stories. "A member of the Legislative Yuan went so far as to openly express the hope that war between the United States and the Soviet Union would break out at the earliest possible date. When he was in the United States, Finance Minister Wang Yun-wu was impudent enough to state in public what China would do in the event of a third world war. The Finance Minister ventured to predict that China might emerge strong and prosperous after such a war."

But the report points out that there are certain conditions to be fulfilled if China is to wait for the eventual outbreak of a third world war. "Let us assume that another war will benefit China. But such a conclusion must be preceded by one of the following conditions. The Government must be sure of its ability to pull through during the intervening period before the outbreak of the shooting war. It may have to wait for three months, five months, half a year, a year, three years or even five years. The Nationalist troops must be able to hold out during this period. A second condition is that if the Nationalists cannot afford to wait, they must be able to bring about a third world war at once. Only when either of these two conditions has been fulfilled can the Chinese Government be sure of eventual success. Otherwise the whole scheme of waiting for war to straighten out China's internal strife would be wishful thinking. This kind of dream is dangerous because the use of a foreign war to end China's civil war is a risky business.

"In order to put out feelers in keeping with the recent developments in the cold war between the United States and the Soviet Union, the Nanking authorities appear to have assigned definite tasks to certain envoys. General Chang Chun visited Japan, where he was entertained as a distinguished guest of General Douglas MacArthur. General Chang's chief mission was to sound out General MacArthur on plans for the next war, projects for the utilization of Japanese and Korean troops and bases, the future position of China in the next war, the possible date for the outbreak of the war, etc. It is of course hoped that once war breaks out, China will know the best strategy to adopt so that she will be able to fight the Communists in North China and act in coordination with other Allies.

"Foreign Minister Wang Shih-chieh's personal participation in the Paris session of the United Nations General Assembly also was significant. The recent developments in China's internal situation and in world relations have clarified Chinese foreign policy, which has, indeed, advanced from a cool attitude toward the Soviet Union to one of planned participation in future fighting between the United States and the Soviet Union.

"It was obvious that the Chinese Foreign Minister was doing his best to see for himself what chances Dewey had in the coming elections. Following up the work already done by Chen Li-fu, a more concrete exchange of views on the Far East and China may be sought with the future President of the United States. Developments in China's civil war may be made known to Dewey, whose confidence in the future of the present Constitutional Government in China must be strengthened so that his followers may also be made to realize that China's future depends solely on the suppression of the Communist rebellion, that the Chinese Government will eventually carry out the job successfully, just as it emerged victorious from the war of resistance against the Japanese.

"It also may be stressed that even if North China should change hands there are still the vast areas in the South with their limitless potential wealth. Thus with Dewey's success in the forthcoming Presidential elections, China will have access to American aid in military supplies and gold dollars far in excess of those handed out by the present Truman-Marshall Administration."

What Chinese Papers Say

INCREASED suffering for the people as the result of the present nation-wide shortage of commodities shifted public attention to the Government's price control policy. More and more Chinese papers came out in the open demanding immediate unfreezing of commodity prices as the only way out. The extreme gravity of the prevailing economic chaos was stressed and it was pointed out that unless something is done right away the whole situation may get out of control.

* * *

Economic Controls

THE independent *Ta Kung Pao* claimed to speak for the common people, pointed out that the present situation cannot be allowed to drag on and called for prompt action.

"The present crisis is not one to be alleviated by political power alone. We must face realities as they are, recognize the validity of economic principles, have the moral courage to correct past mistakes and take concrete steps to relieve the suffering of the people."

Describing the acute shortages of commodities in Shanghai and the difficulties and hardships experienced by the common people in eking out a living, the paper said: "Long queues are visible throughout the city and everybody is worried and busy. The common people are wasting their time night and day trying to buy goods. Moreover, it is useless to queue up, for supply and demand are out of balance. There are no medicines for the sick, no coffins for the dead and no powdered milk for the babies, and still more serious are the shortages of rice, edible oil and fuels. All essential items of daily necessities have suddenly disappeared. What can the people do?"

Then the paper explained that the currency reform had increased the sufferings of the people instead of bringing about an equitable redistribution of wealth as some would have us believe. "Today the situation is different. Not only do the rich remain rich and the poor remain poor but also the gap between the rich and the poor has become wider than ever. The re-distribution of wealth caused by the currency reform has plunged classes who surrendered to the Government their silver dollars, gold bars or greenbacks into the depths of poverty while the rich remain intact," the paper said.

As regards the introduction of an all-out rationing system, which the authorities consider a cure-all for the present buying rush, the paper said: "The proposed rationing system in itself is good, but whether or not it will operate successfully depends upon how it is going to be carried out. There are two prerequisites for the smooth functioning of any rationing system. First, the Government must be in a position to have full control of the items of commodities to be rationed. Second, there must be an efficient Government agency to handle the matter. If the Government is unable to control the commodities to be rationed or if the Government agency concerned is incompetent, any introduction of the rationing system will not help solve the problem."

The *Tung Nan Jih Pao* editorialized that the price control policy has now come to the crossroads and a decision has to be made.

"There are two different views on the price control policy. One is that ceiling prices must be maintained to the bitter end. The other is that with the exception of a few items of vital daily necessities, ceiling prices should be abolished and a system of 'negotiated prices' should be adopted. Advocates of the first school of thought stress that any revision in the price control policy would make the Government lose both face and prestige and that once the ceiling prices are thrown out the window the whole price situation would get out of hand.

"Proponents of partial unfreezing of prices argue that arbitrary enforcement of ceiling prices only tend to disturb the smooth and natural movement of commodities and lead to the stoppage of production, making the price situation all the more chaotic and complicated. Therefore, an early revision in the policy is called for."

According to the paper, the root of the price problem lies much deeper because price stabilization depends in large measure upon the maintenance of an equilibrium between supply and goods and money in circulation. When there is more money than goods, then commodity prices are bound to go up, the paper said.

The Catholic organ, *Yi Shih Pao*, also stressed that the Government should do its best to alleviate the sufferings of the people.

"Recently, the situation has been steadily deteriorating," the paper wrote, "and the people's living conditions have become more and more difficult. The question as to whether the new economic measures have proved a success or a failure had better be left to the economic experts. A most serious point is that the people cannot continue to live In order to enable their families to live, people have to form long queues beginning in the small hours of the morning, only to be looked at askance by the merchants. On the other hand they see their supplies of rice and edible oil dwindling. They feel worried and bitter . . . The situation is extremely critical. It is to be hoped that the Government will make a careful study of the situation and devise ways and means to straighten out the difficulties."

The *Chin Yung Jih Pao* was greatly worried over the alarming decline in production. "The arbitrary control of prices has created a state of abnormality in the economic field. The currency reform was immediately followed by freezing commodity prices for the purpose of maintaining the value of the new currency. But price control cannot be divorced from the basic law of supply and demand. No price control policy can hope to succeed unless it is backed up by abundant supplies of goods and continued expansion of production.

"The greatest cause for anxiety today is the suspension of production. Ceiling prices are much lower than production costs. The supply of raw materials is in bad shape. Taxation has been increased. Imports have been restricted and exports are well-nigh impossible. Once the economic dykes are broken, it will be impossible to arrest the onrushing flood. We are not alarmists, but the future really gives us cause for great anxiety."

* * *

Korea

DISCUSSING the background and significance of the recent revolt in South Korea, the *Ta Kung Pao* wrote: "Two events have added to the political significance of the revolt. Soviet troops in North Korea started pulling out on October 20. On the other hand, American troops in South Korea are going to stay on and Syngman Rhee has done his best to persuade the Americans to remain where they are. At any rate, United States policy towards Korea has hurt the sense of national self-respect of the Koreans. On the face of it, the South Korean Government has become a puppet Government of the United States. Whatever the purpose of the withdrawal of Soviet troops may be, it is a very smart move, and will be certainly welcomed by most Koreans.

"In the second place, the revolt started when Syngman Rhee was away in Japan. Reports stated that the purpose of the armed revolt was to try to overthrow the South Korean Government during Rhee's brief stay in Japan.

"Because of many complicated factors, the revolt in South Korea cannot be successfully stamped out overnight . . . Rhee has very little political backing. He does not trust his own people. He would rather trust foreigners. Therefore whoever leads the revolt will easily arouse the patriotic fervor of the Koreans . . .

"We feel it is the unanimous desire of the Korean people to get rid of foreign interference, to choose freely the form of government they like best and to achieve national independence and unity. If the United States does not leave them alone and wants to rule Korea as a colony, Korea will be a constant source of unrest and trouble."

What US Papers Say

THE latest Soviet veto of the Security Council's plan for a solution of the Berlin problem has been strongly denounced in recent US editorials. Also discussed in the US press were the possible dangers of a "Red Asia," and Republican Presidential candidate Dewey's announced policy of greater aid to Nationalist China.

* * *

Soviet Veto

AFTER outlining the main points of the Security Council plan for Berlin, which included the immediate lifting of the blockade and an early meeting of the four military governors in Germany to work out the currency problem, the *Washington Post* said:

"We think the Security Council has met its test very creditably. It might have stalled, fumbled and done nothing. Instead, it recognized the Berlin situation as the threat to the peace that it is and took every reasonable step within its power to eliminate that threat. While its efforts have been blocked by the Russian veto, the effect is to throw the full weight of the Security Council against the blockade in the contest for world opinion. Until now Moscow's conduct had been condemned only by the other parties to the Berlin dispute. Today, it stands condemned by nine of the 11 members of the chief peace agency of the United Nations, and we suspect this is going to hurt Moscow's cause more in the end than that cause will be helped by the continued attempt to starve the Berliners in the American and British sectors of the city . . . Moscow itself is tightening the noose that strangles the last remaining hopes for any genuine understanding between the East and the West."

The *New York Herald Tribune*, in an editorial titled "Russia Goes On Record," said: "The Soviet Union yesterday formally placed itself on record before world opinion as desirous of using the essentially violent and coercive instrument of the Berlin blockade in order to further its political objectives . . . The six neutral powers made a real effort of statesmanship. They devised a resolution which came as near as it was possible to come to a compromise of the basic issue. The Soviet rejected it and proposed its own modification of the resolution. But this was unacceptable to the West and the neutral resolution therefore went before the Security Council."

The *Philadelphia Inquirer*: "Vishinsky's veto yesterday will do much, in our opinion, toward unifying the opinion of the peoples throughout the non-Communist world against Russia's obstructive tactics. The free nations are echoing the question asked by Dr. Jessup yesterday: What does Russia want? They will agree with his declaration that under the neutrals' plan Moscow could have obtained everything it wanted without the dangerous Berlin blockade . . . We must 'keep on trying.' It is worth the effort. The Politburo may have hoped that its rejection of the compromise would dishearten the smaller nations in the United Nations. It now promises to have the opposite effect. We must make the most of that."

* * *

Dewey On China

CRITICISM of niggardly American help to China in her fight against Communism in the past few years and support for Republican promises to give China greater and more extensive assistance have been voiced by six prominent newspapers on the Pacific coast recently. The six papers are: the *Los Angeles Times*, the *Los Angeles Mirror*, the *Portland* (Oregon) *Journal*, the *Oakland* (California) *Tribune*, the *San Francisco News* and the *San Francisco Examiner*.

Referring to Dewey's election campaign speeches on foreign affairs the *Los Angeles Times* editorially declared that Dewey's keynote was danger to world freedom and world peace resulting from Soviet Russian imperialist policies and the need for the US to stand firm for peace and freedom. The editorial added that Dewey emphasized, as few speakers have done, the fact that this is an Asiatic as well as a European problem and that extrication of China from her difficulties is as important as putting Europe on a sound basis.

The *Los Angeles Mirror*, a new tabloid afternoon paper established on October 10, said: "Right now, the Russians have almost as much territory under control or in jeopardy in Northeast Asia as Japan was able to seize in the first 18 months of the war. The Chinese Communists control most of Manchuria, much of North China and have strong forces in Central China. Russia is beating our brains out in Asia. We are helping her to do it with an American policy that has been uncoordinated, blubber-headed and inadequate."

Belatedly commenting on China's Double Tenth Anniversary, the *Portland Journal* said: "Still torn by army strife and beset by fantastic inflation, China faces a long dark road ahead. If China is to survive, she must grow stronger, and to grow stronger she must have a helping hand. That helping hand must be that of the United States."

* * *

Red Asia Danger

THE *New York Times*, editorializing on the fall of Mukden, said recently: "While Europe must still command priority in the defense against the Communists, it would be fatal to overlook the dangers which a Red Asia would present to the world." The *Times* said that because of China's backwardness industrially and the vast destruction wrought during the war, she must depend greatly on outside aid in her war with the Communists. It said that the significance of the fall of Mukden is not only in the loss to China of the rich Manchurian province, but also in the fact that ". . . this vast, rich region which was wrested from the Japanese and supposed to be returned to China, is being taken by the Russian fifth column in a pattern of conquest bearing startling resemblance to Japan's . . ."

After referring to China's difficulties and need for aid, the *Times* continued: "Yet the US, which contributed to China's difficulties by its silver policy and by consenting to Soviet expansion in Manchuria, has been tardy in such aid. For, and in contrast to American policy in Europe, there has been no bipartisan American aid policy in China but rather an administration policy which first sought to bring the Communists into the Government, then cancelled previous loan offers and imposed an arms embargo against China . . . It is hoped that China's tenacity will prove superior to all difficulties. But time is getting short."

The *New York Herald Tribune*, in an editorial entitled "The Debacle in Manchuria," commented on President Chiang Kai-shek's remarks made to a *Tribune* correspondent in Peiping before leaving for the front. It said the Generalissimo was using an old argument. "His remedy was an unfortunately familiar one that to avoid a third World War it is 'necessary to come to Asia's rescue.' This means the rescue of China or, more particularly, Chiang Kai-shek, and it is the US which must do the rescuing."

The *Tribune* pointed out that this argument has been used since Japan's conquest of Manchuria in 1931, and that it would likely awaken echoes in the US where there is much divided opinion regarding it. "Yet it confronts two immovable facts; 1) American power and resources are not unlimited; 2) Even if the resources were 10 times what they are, they still could not save China unless China can somehow develop internal strength and leadership to save herself." The paper concluded that Chiang is an able leader and "there is no obvious way to replace him." It said that he certainly cannot be replaced by a coalition government which "would invite Communism in at the front door while it is battering at the back gates."

The Review's English Lesson—LVI

SINCE many of the *Review's* readers enjoy going to the movies, and because there is a growing interest in motion pictures in China, we shall give you a review of a current American film quoted from the *New Yorker* magazine, together with an explanation of the phrases and idioms employed by the reviewer, and an attempt to explain his ideas and method of expressing them.

A CURIOUSLY disturbing **short**, "Letter to a Rebel," has been produced by RKO-Pathe, in its widely advertised "This Is America" series. It **calls for** some comment, since I am afraid that the film is sadly symptomatic of the complacent poster propaganda and one-dimensional patriotism that we are **in for** these days. (1) A young college editor writes to his father, an old-time country editor in an **idyllic** upstate New York town, and expresses some confusion over what he takes to be inequalities and strains in our economic system. Father sits right down at his **trusty Underwood** and **bats out** one of those **bargain-basement-Whitman replies** to son. Now, I **have no quarrel with** Father's thesis that this is a wonderful country, but I do quarrel with his emphasis on what makes it fine. Father thinks it is fine mainly because of the big, shining supermarkets, and the canned pineapple juice ("How much do you think that would cost in rubles, Son?" he asks, irrelevantly). (2) Father **makes a point of** reminding Son that men are actually permitted to picket in this country, speaking as though the rights of labor can be controlled by spigots, to be turned on and off. (3) I seem to remember a time when **lip service**, at least, was paid to America's greatness as a giant **melting pot** of rich, strains and wild ideas, but Father merely reminds Son that his ancestors fought at Bunker Hill. (4) There is an unmistakable odor of herring about this picture. No special color. Just herring. (5)"

short—commonly used term for short moving picture, one that runs considerably less than the customary one-and-a-half hours. These pictures are usually of an informative nature, concerned with factual rather than fictional subjects.

calls for—colloquial term for requires.

in for—must expect to face, or expect to put up with.

idyllic—ideal, or idealized. Not a colloquialism, but used here in a sarcastic or doubting manner.

trusty Underwood—the word "trusty" when modifying to a given noun usually has a humorous connotation. Actually it is an out-of-date form of the word "trustworthy." "Underwood" refers to an Underwood typewriter.

bats out—slang expression for types out, or writes out, implying that it is done hastily and without much forethought.

bargain-basement-Whitman replies—(goods are sold cheaply in the "bargain basements" of stores) version of the American poet Walter Whitman's works. Whitman's poetry often dealt with the glories of expanding America during the latter part of the nineteenth century.

have no quarrel with—common phrase meaning do not disagree with.

makes a point of—puts emphasis on.

lip service—to "pay lip service" is to seem to agree with someone or something while actually, perhaps, not agreeing at all.

melting pot—literally, a large pot in which different substances are melted together over a fire. Used often, as it is here, to apply to a country such as America where many races, religions and ideas combine to form a single nation.

* * *

BELOW, we shall try to explain the ideas which the reviewer is trying to get across. First, we shall deal with his whole impression of the film; and second, we shall analyze his method of expressing individual ideas which are indicated by the numbers in parentheses.

The dominant reaction of the reviewer to the film, "Letters to a Rebel," is one of disapproval and disappointment. He seems to feel that it is typical of the self-satisfied and narrow minded patriotic propaganda which is being displayed all too frequently in America these days. (1) He describes the theme of the film briefly (a country editor's answers to his son's questions regarding the American economic and social system) and obviously feels that the father has, in his answers, laid too much stress upon certain material advantages to be found in America, such as the abundance of food and gasoline (2). The reviewer continues with an indirect criticism of the father's remarks on the rights of labor which, the father seems to feel, are something to be granted and controlled by the government (3), rather than inalienable rights in themselves. The reviewer expresses regret that the day has apparently passed when America's strength was considered to be in the multitude of racial, religious and intellectual contributions which her people were able to make freely. He indicates that the picture has missed this point when he says that the father merely mentions Bunker Hill, a famous battle fought in the early days of the American Revolution, and one which has been written and talked of so much that it has lost its original significance (4). The reviewer ends his criticism of the film with a reference to the odor of herring (5), which is a kind of fish. This reference actually has a dual connotation; first is the fact that the picture, in his estimation, smells as does herring. (The American slang expression, "it smells" means "it is bad, it disgusts me."). The other connotation of the herring reference has to do with the phrase, "drag a red herring across the trail," meaning to introduce an irrelevant idea into a discussion or situation so that people will be diverted from their original ideas and arguments by the strong odor of the "herring" or bait.

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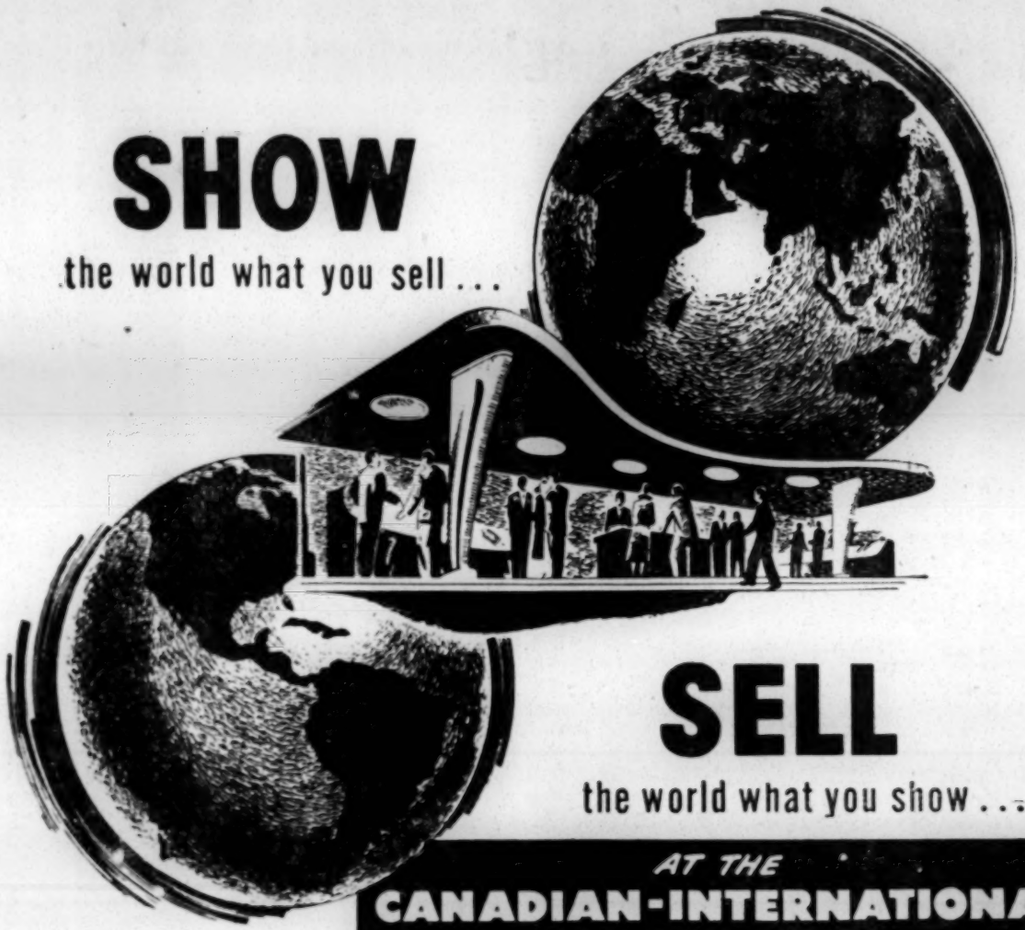

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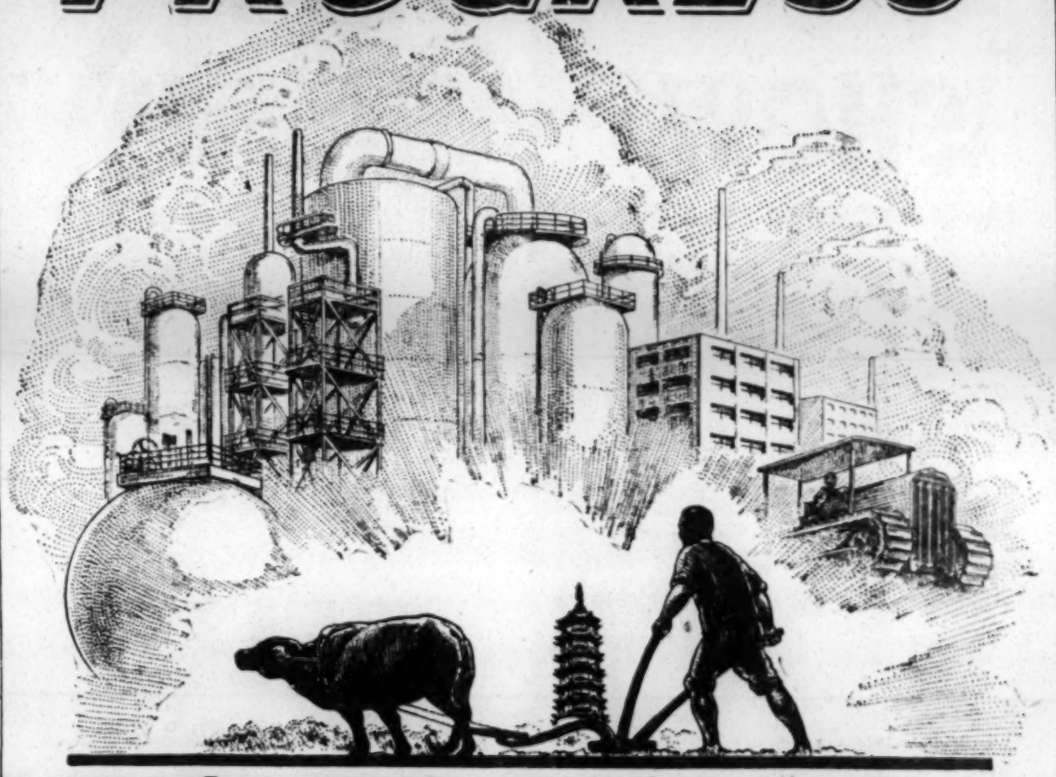

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